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Department of the Treasury
Internal Revenue Service

1985

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ORIGINAL

Returns for

Organizations Exempt From Income Tax

Under Section 501(c)(6) of the Internal Revenue Code

IRS will assess penalties for an incomplete return. Organizations failing to file a complete return will receive a letter requesting the missing information. If the missing information is not furnished or reasonable cause is not established, the organization will be assessed the $10 per day penalty under section 6652(d)(1). Accordingly, we caution you to make certain that the return is complete and urge you to respond promptly to any letter requests for missing information.

This package contains the following forms and related instructions:

Form 990
Form 990-T

All forms are placed in the center of this package for easy removal.

Internal Revenue Service
Cincinnati, OH 45999

Official Business
Penalty for Private Use, $300

Peel off the label and place it in the address area of the Form 990 you file. If someone else prepares your return, please give the preparer the pre-addressed label and the envelope and ask the preparer to use them. Make necessary corrections on the label.

Bulk Rate
Postage and Fees Paid
Internal Revenue Service
Permit No. G-48

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Package 990–4
(Section 501(c)(6))

1985

Department of the Treasury
Internal Revenue Service

Instructions for Form 990

Return of Organization Exempt from Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

(Section references are to the Internal Revenue Code, unless otherwise indicated.)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

Purpose of Form.—Form 990 is used by tax exempt organizations and non-exempt charitable trusts to provide the IRS with the information required by section 6033(a)(1). An organization's completed Form 990 (except for the list of contributors) is available for public inspection as required by section 6104(b). The procedures for obtaining completed Forms 990 are outlined in instruction M, below.

A. Who Must File Form 990.—Except for those types of organizations listed in instruction B, an annual return on Form 990 is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 if its gross receipts are normally more than $25,000. See instruction C10 for information about possible relief from filing Form 1041.

If your application for exemption is pending, check the "Application Pending" block at the top of page 1 of the return and complete the return in the normal manner.

If you are not required to file Form 990 because your gross receipts are normally not more than $25,000 (see instruction B11 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return, check the first box in the area above Part I to indicate that your gross receipts are below the $25,000 filing minimum, sign the return, and send it to the service center for your area. You do not have to complete Parts I through VII. This will help us update our records, and we will not have to contact you later asking why no return was filed. If you file a return in the above manner, you will not be mailed a Form 990 Package in later years and need not file Form 990 again until your gross receipts normally exceed the $25,000 minimum or you terminate or undergo a substantial contraction as described in the instructions for line 79.

Organizations which are eligible to receive tax deductible contributions are listed in **Publication 78**, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1954. An organization may be removed from this listing if our records show that it is required to file Form 990, but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. Organizations Not Required to File Form 990.—For State filing purposes, see instruction D. The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 with IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or a separately incorporated church-controlled organization (described in Notice 84-2, 1984-1 C.B. 331) that carries out church-related financing, funding, and pension programs.

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by or affiliated with one or more churches or church denominations, if more than one-half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A State institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

(a) instrumentalities of the United States, and

(b) exempt from Federal income taxes under such Acts as amended and supplemented.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF**, Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust which qualifies under section 401. (See **Form 5500**, Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file **Form 1065**, U.S. Partnership Return of Income.)

11. An organization whose gross receipts are normally $25,000 or less; but see instruction A, paragraph 4. Gross receipts are the sum of lines 1d, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses.

However, if a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same rationale applies to other situations in which one organization collects funds merely as an agent for another.

An organization's gross receipts are considered to be $25,000 or less if the organization is:

(a) up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;

(b) between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years; or

(c) 3 years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed). If your gross receipts are normally $25,000 or less, see the fourth paragraph of instruction A, above.

C. Other Forms You May Need To File.—

1. **Schedule A (Form 990).**—Filed with Form 990 for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f) or 501(k)). Also filed with Form 990 for a section 4947(a)(1) trust not treated as a private foundation. An organization is not required to file Schedule A if its gross receipts are normally $25,000 or less (see instruction B11).

2. **Form 990-T.—Exempt Organization Business Income Tax Return.**—Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. For details, see the instructions for Form 990-T or **Publication 598**, Tax on Unrelated Business Income of Exempt Organizations. Publication 598 is available free from IRS.

3. **Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

4. **Form W-2P.**—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

5. **Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

6. **Form 1099 Series.**—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, acquisition or abandonment of secured property, and lump-sum distributions from profit-sharing and retirement plans.

7. **Form 940.**—Employer's Annual Federal Unemployment (FUTA) Tax Return. Used to report unemployment tax paid by an employer.

8. **Form 941.**—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

9. **Form 5500, 5500-C, or 5500-R.**— Used to report on employee benefit plans.

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not the deduction is claimed for the current tax year. The Employee Retirement Income Security Act of 1974 imposes a penalty for late filing of these forms.

The forms required to be filed are:

Form 5500.—For each plan with 100 or more participants.

Form 5500-C or 5500-R.—For each plan with fewer than 100 participants.

10. **Form 1041.**—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) trusts that also file Form 990. However, any such trust may use the filing of Form 990 to satisfy its Form 1041 filing requirement under section 6012 if the trust has zero taxable income under subtitle A of the Code. If this condition is met, check box F on page 1 of Form 990 and do not file Form 1041, but complete Form 990 in the normal manner. A section 4947(a)(1) trust that normally has gross receipts of not more than $25,000 (see instruction B11) and has zero taxable income under subtitle A must complete only the following items on Form 990: name; address; employer identification number; the section 4947(a)(1) block in box D; box F; the first box in the area above Part I; and the signature block on page 4.

11. **Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within two years after the date of receipt of the property.

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D. Use of Form 990 to Satisfy State Reporting Requirements.—Some States and local government units will accept a copy of Form 990 and Schedule A (Form 990) in place of all or part of their own financial report forms. At this time, the substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you intend to use Form 990 to satisfy State or local filing requirements, such as those arising under State charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all States and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property therein.

2. Some or all of the dollar limitations applicable to Form 990 when filed with IRS may not apply when using Form 990 in place of State or local report forms. Examples of IRS dollar limitations that do not meet some State requirements are the $25,000 gross receipts minimum that gives rise to an obligation to file with IRS (see instruction B11), the short reporting format explained in instruction I for organizations that report total revenue of $25,000 or less on line 12, and the $30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

3. State or local filing requirements may require you to complete additional lines and columns of Form 990 and to attach to Form 990 one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990 filed with IRS.

4. Even if the Form 990 you file with IRS is accepted by IRS as complete, a copy of the same return filed with a State will not fully satisfy that State's filing requirement if required information is not provided, including any of the additional information discussed above, or the State determines that the form was not completed in accordance with the applicable Form 990 instructions or supplemental State instructions. In that event, you may be asked to provide the missing information or to submit an amended return.

5. To ensure that all organizations report similar transactions uniformly, many States require that contributions, gifts and grants on lines 1a through 1d in Part I and functional expenses on lines 13, 14 and 15 and in Part II be reported in accordance with the AICPA industry audit guide, Audits of Voluntary Health and Welfare Organizations, as supplemented by Standards of Accounting for Voluntary Health and Welfare Organizations (Revised 1974) and by Accounting and Financial Reporting - A Guide for United Ways and Not-for-Profit Human Service Organizations. However, a significant exception applies in the case of donated services and facilities. Although reporting such services and facilities as items of support and expense is called for in certain circumstances by the three publications named above, many States and IRS do not permit the inclusion of those amounts in Parts I and II of Form 990. The instructions for line 82 discuss the optional reporting of donated services and facilities in Parts III and VII.

6. If you submit supplemental information or file an amended Form 990 with IRS, you must also furnish a copy of the information or amended return to any State with which you filed a copy of Form 990 originally to meet that State's filing requirement.

7. If a State requires you to file an amended Form 990 to correct conflicts with Form 990 instructions, you must also file an amended return with IRS.

8. Most States require that all amounts be reported based on the accrual method of accounting.

9. The time for filing Form 990 with IRS differs from the time for filing reports with some States.

10. The Form 990 information made available for public inspection by IRS may differ from that made available by the States. See the cautionary note to the specific instructions for line 1d.

State Registration Number.—Insert the applicable State or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990 in place of the State or local form. When filing in several jurisdictions, prepare as many copies as needed with box B blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

E. Other Forms as Partial Substitutes for Form 990.—Except as provided below, the Service will not accept any form as a substitute for one or more parts of Form 990. A labor organization that files Form LM-2, Labor Organization Annual Report, or the shorter Form LM-3 with the U.S. Department of Labor (DOL), can attach a copy of the completed DOL form to provide some of the information required by Form 990. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

An employee benefit plan may be able to substitute Form 5500, Annual Return/Report of Employee Benefit Plan, or Form 5500-C for part of Form 990. The substitution can be made if the organization filing Form 990 and the plan filing Form 5500 or 5500-C meet all the following tests:

(a) the Form 990 filer is organized under section 501(c)(9), (17), (18), or (20);

(b) the Form 990 filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

(c) the employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan, and

(d) the organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in instruction F, so it will coincide with the plan year.

Whether you file Form 990 for a labor organization or for an employee plan, the areas of Form 990 for which other forms can be substituted are the same. These areas are:

Part I, lines 13-15 (but complete lines 16 and 17);

Part II, and

Part V.

If you substitute Form LM-2 or LM-3 for any items on Form 990, you will need to attach a statement to reconcile the disbursements shown on the DOL forms and the total expenses on line 17 of Form 990. The reconciliation is necessary because the cash disbursements section of the DOL forms includes non-expense items. If you use Form LM-2, be sure to complete its separate schedules of expenses.

F. Accounting Period Covered.—Base your return on your annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

Your fiscal year should normally be selected to coincide with the natural operating cycle of your organization; it is not necessary that your fiscal year end on December 31 or June 30.

The 1985 Form 990 should be used to report on a calendar year 1985 accounting period or a fiscal year beginning in 1985.

For a group return, see instruction J.

To change your accounting period, file **Form 1128,** Application for Change in Accounting Period.

G. When and Where to File.—File Form 990 by the 15th day of the fifth month after your accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the fifth month after the change.

If your principal office is located in— ▼	Send your return to the Internal Revenue Service Center below— ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 31101
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
California, Hawaii, or Nevada	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169-171 and 173-196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Alaska, Idaho, Oregon, or Washington	Ogden, UT 84201
Maryland, Pennsylvania (ZIP codes beginning with 150-168 and 172 only), Virginia, District of Columbia, any U.S. possession, or foreign country	Philadelphia, PA 19255

Extension of Time to File.—To request an extension of time to file, send in **Form 2758,** Application for Extension of Time to File.

H. Penalties.—*Against the organization.*—Under section 6652(d), a penalty of $10 a day, up to a total of $5,000, may be charged when a return is filed late, unless you can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990. The penalty may also be charged if an incomplete return is filed, since filing such a return does not satisfy an organization's filing requirement. To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Against responsible person(s).—If a complete return is not filed, IRS may write to give you a fixed time for filing. After that period expires, the person failing to file the return will be charged a penalty of $10 a day, not to exceed $5,000, unless he or she shows that not filing was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty (section 6652(d)).

There also are penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with IRS (sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements.

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I. Short Format for Small Organizations.—If your total revenue on line 12, Part I, is $25,000 or less and your gross receipts are normally more than $25,000, you need not complete all items on the Form 990 you file with IRS. (Gross receipts are explained in instruction B11.) In that case, you are not required to complete lines 13, 14, and 15 of Part I and columns (B), (C), and (D) of Part II. Be sure to check the second box in the area above Part I to indicate that you did not have to complete all items.

Also, organizations that report total revenue of $25,000 or less on line 12 and total assets of $25,000 or less on line 59, Part V, are required to complete only lines 59, 66, 74 , and 75 of the beginning and end of year balance sheets in Part V.

J. Group Return.—A central, parent, or "like" organization can file a group return on Form 990 for two or more local organizations that are:

1. affiliated with the central organization at the time its annual accounting period ends;

2. subject to the central organization's general supervision or control;

3. tax exempt under a group exemption letter that is still in effect; and

4. have the same accounting period as the central organization.

If the parent organization is required to file a return itself (see instruction B for a list of organizations not required to file), it must file a separate return and may not be included in the group return.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If you prepare a group Form 990, attach schedules showing (1) the total number of local organizations included and the name, address, and employer identification number of each one; and (2) the same information for those not included. When you prepare the return, be sure not to confuse the 4-digit group exemption number (GEN) in box G, page 1, with the 9-digit employer identification number in box A. If none of the local organizations covered by the group return has more than $25,000 in total revenue (line 12, Part I), you may use the short format described in instruction I. If each local organization included in the group return also has $25,000 or less of total assets, the short format instructions for completing the balance sheets in Part V also apply to the group return.

K. Organizations in Foreign Countries and U.S. Possessions.—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States, and report the total for each item. All information must be given in the English language.

L. Completing Form 990.—

1. Label—Name, Address, and Employer Identification Number.—If we mailed you a 990 Package with a preaddressed mailing label, please attach it in the name and address space on your return. Your using the label helps us avoid errors in processing your return. If any information on the label is wrong, draw a line through that part and correct it. Check box C on page 1 if the preaddressed label did not reflect your current address or if you were not mailed a 990 Package, your current address is different from the address listed on the previous Form 990 you filed.

You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the service center for your area (from the list in instruction G). Tell them what numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use.

2. Accounting Method.—In box E on page 1 indicate the method of accounting used in preparing this return. Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure support, revenue, and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting used must clearly reflect income.

If you prepare a Form 990 for State reporting purposes, you may file an identical return with IRS even though it does not agree with your books of account, unless the manner of reporting one or more items on the State return conflicts with the instructions for preparing Form 990 for filing with IRS. For example, if you maintain your books on the cash receipts and disbursements method of accounting but prepare a State return based on the accrual method, that return could be used for reporting to IRS. As another example, if a State reporting requirement requires you to report certain support, revenue, expense or balance sheet items differently from the manner in which you normally account for them on your books, a Form 990 prepared for that State would be acceptable for IRS reporting purposes if the State reporting requirement does not conflict with the Form 990 instructions. Your records should contain a reconciliation of any differences between your books of account and the Form 990 you file.

Most States that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. See instruction D.

3. Legible Form 990 for Public Inspection.—All information you report on or with your Form 990, including attachments, will be available for public inspection, except the list of contributors required for line 1(d), Part I. Please make sure your forms and attachments are clear enough to photocopy legibly.

4. Signature.—In order to make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer will be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a paid firm or corporation, sign in the firm's or corporation's name. If you checked block F on page 1 (section 4947(a)(1) trust filing Form 990 in lieu of Form 1041), you must also enter the paid preparer's social security number or employer identification number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

M. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—Form 990, Form 990-PF, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. IRS, however, is not permitted to disclose portions of certain otherwise disclosable returns and attachments, including the list of contributors required by Form 990.

A request for inspection must be in writing and must include the name and address (city and State) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requestor desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

For more information, call any IRS office or see **Publication 910**, Taxpayer's Guide to IRS Information, Assistance and Publications, which is available free at IRS offices.

Specific Instructions

In General—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents, and increase any amount from 50 through 99 cents to the next higher dollar.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990 (see instruction E), do not leave blank any applicable lines or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990.

If you need more space for any part or line item, attach separate sheets on which you follow the same format and sequence as on the printed form. Show totals on the printed form. Be sure to put the organization's name and employer identification number on the separate sheets and identify the part or line items the attachments support.

Part I.—Statement of Support, Revenue, and Expenses and Changes in Fund Balances—

All organizations filing Form 990 with IRS or any State must complete column (A) and the items to the left of it. Columns (B) and (C) are optional for reporting to IRS, although some States that accept Form 990 in place of their own forms may require these columns to be completed on the Form 990 filed with them. (See instruction D.)

Columns (B) and (C).—The following instructions apply if you use columns (B) and (C). In preparing a Form 990 to be filed with IRS, you may complete what items you choose in columns (B) and (C), rather than all applicable lines in these two columns.

Columns (B) and (C) are to let you indicate any externally imposed restrictions on how and when certain funds can be used. The amounts are a breakdown of the information you must report in column (A) and the items to the left of it. The combined column (B) and (C) amounts for any line should equal the amount on the left.

If you use columns (B) and (C), cross out the inapplicable words in the headings to show whether you are reporting unrestricted and restricted amounts or expendable and nonexpendable funds.

Use the *Restricted* column to reflect any externally imposed restrictions on the use of contributions, gifts, grants, endowment income, and other amounts the organization received in the current year. Also use that column to summarize the use of restricted funds received in the current year or any earlier year. The term "externally imposed restrictions" primarily refers to those imposed by donors and grantors for use of their separate contributions and grants. In the case of endowment gifts, restrictions on the use of the income earned by those funds may also be imposed by the donor. The term also applies to restrictions imposed by any applicable State or Federal statute or to regulations issued by an administrative agency of a State or the Federal government. For example, the laws of some States permit noncharitable organizations to conduct certain types of special fundraising events only if the proceeds are used for

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charitable or other specified purposes. An appropriation of funds made at the discretion of the organization's governing body is not an externally imposed restriction. A donor-imposed restriction can specify either how the funds are to be used (for scholarships, for example) or when they are to be used (for example, a fixed term endowment). In the case of non-cash contributions particularly, the donor may designate that the organization may not dispose of the property and use the proceeds for a certain period of time.

When an externally imposed restriction on the use of funds lapses, use line 20, Part I to report the transfer to an unrestricted fund if the amount being transferred was recorded as support or revenue of a restricted fund when received. Enter a decrease in the amount involved in the Restricted column and a corresponding increase in the Unrestricted column. The offsetting entries would result in a -0- entry on line 20 of column (A). Also reflect the change on lines 67-70 in the fund balance section in Part V of the return. Do not show the transfer as an item of support or revenue on lines 1-12 of Part I, since those lines are for reporting the initial receipt or accrual of restricted and unrestricted amounts. Any portion of the funds utilized by the unrestricted fund in the current year would be reported as a current year expense in the normal manner.

These instructions also apply to expendable and nonexpendable funds. Expendable funds include both unrestricted and donor-restricted amounts that may be spent for current activities. For example, if a donor earmarks a contribution to be used for scholarships, that contribution (although restricted as to a specific use) would be expendable. If the donor indicates that the contribution should become part of the permanent endowment, that contribution would be nonexpendable. This is true whether or not the donor designated a specific program to be supported ultimately by the contribution or by the income earned on those funds. That income itself would be treated separately as expendable or nonexpendable, depending upon whether the donor specified when the organization could use the income.

Contributions, Gifts, Grants, and Similar Amounts Received.—On lines 1a through 1c report amounts received as voluntary contributions; that is, payments, or the part of any payment for which the payer (donor) does not receive full consideration from the recipient (donee) organization. (For grants, see "Grants equivalent to contributions.") Report all expenses of raising contributions in column (D), Part II and on line 15 of Part I.

On line 9 report income from special fundraising events and activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games. However, when the buyer pays more for such goods or services than their value, report the excess on line 1a as a contribution representing direct public support. This usually occurs when organizations seek support from the public through solicitation programs that are in part special fundraising events or activities and in part a solicitation for contributions. For example, an organization announces that anyone who "contributes" at least $40 can choose a book worth $16 retail. Those who pay $40 and choose to receive the book would be both buying the book and making a contribution. Each such buyer's contribution reported on line 1a would be $24, the amount by which the buyer's payment is more than the merchandise's fair market value. (Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail.) A buyer who paid more than $40 would pay the same amount for the book, but would have made a larger contribution. The primary purpose of such solicitations is not to sell the merchandise at its fair market value (even though this might produce a profit), but to receive the contributions. Therefore, all the expenses incurred, except those attributable to the merchandise furnished the buyer, should be reported as an expense of raising contributions (fundraising expense) in column (D), Part II. The revenue ($16 per book) and the expenses relating to the sale of the merchandise would be reported on line 9 as revenue and expenses of a special fundraising event.

If the organization provides merchandise of only nominal value, report the entire receipts on line 1a as contributions (direct public support) and report all the related expenses in column (D), Part II.

The differentiation between revenue and contributions derived from special fundraising events is particularly important for any section 501(c)(3) organization that claims to qualify as a publicly-supported organization described in section 170(b)(1)(A)(vi) or 509(a)(2). In the public support computations under these two sections, the revenue portion may be excluded entirely, treated as public support, or, if it represents unrelated trade or business income, treated as non-public support. Section 501(c)(3) organizations must compute the amounts of revenue and contributions from fundraising events in accordance with the above instructions in preparing the Support Schedule in Part IV of Schedule A (Form 990). The Support Schedule generally includes only the 4 preceding years, but includes the current year as well if there have been material changes in the organization's sources of support in that year.

See the line 3 instructions for information about membership dues that should be treated as contributions.

Section 501(c)(9), (17), (18), and (20) organizations provide life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits or a combination of these benefits to participants. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

In Part I, do not include the value of services donated to the organization, or items such as the free use of materials, equipment or facilities, among the contributions received. See the instructions for Part III and for Part VII, line 82 for the optional reporting of such amounts in Parts III and VII under certain circumstances.

Grants equivalent to contributions.—On line 1 report grants to the organization that are equivalent to contributions. Such grants are normally made to encourage the grantee organization to carry on programs or activities that further its exempt purposes. The grantor may set conditions to ensure that the grantee's programs conform to the grantor's own policies. The grantor may specify which of the recipient's activities the grant may be used for, such as a voter registration drive or restoring a historic building.

A grant is still equivalent to a contribution if the grantee performs a service or produces a work product that benefits the grantor only incidentally. (See examples in line 1c instructions.) However, if the terms of a grant require that a specific service, facility, or product be provided the grantor—the purpose of which is to serve the direct and immediate needs of that grantor rather than primarily to confer a direct benefit upon the general public or that segment of the public served by the organization—that grant does not represent a contribution, but a payment for services. In general, any payments made primarily to enable the payer to realize or receive some economic or physical benefit as a result of the service, facility, or product obtained should not be treated as contributions.

For example, a public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey using a scientific sampling method. The survey is to determine voter attitudes on issues in which the grantor has an interest. The grantor plans to use the results in planning its program for the next 3 years. Under these circumstances, the grant to the organization making the survey is not a contribution, since conducting the survey and furnishing the report primarily serve the grantor's direct needs and benefit the grantor more than incidentally. When the grantee reports the grant as income, it should be treated as either program service revenue (line 2) or other revenue (line 11), not as a contribution.

If research is done to develop products for the payer's use or benefit, treat it as serving the payer directly. Basic research or studies in the physical or social sciences generally should not be treated as serving the payer's needs.

See Regulations section 1.509(a)-3(g) for information about determining whether a grant represents a contribution reportable on line 1 or a revenue item reportable elsewhere on Form 990.

Non-cash contributions.—To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. (See section 20.2031-1 of the Estate Tax Regulations for this general rule, exceptions, and special rules that may be applied to determine the value of contributed stocks and bonds.) When market value cannot be readily determined, use an appraised value.

To determine the amount of any non-cash contribution that has an outstanding debt attached, subtract the debt from the property's fair market value. Record the asset at its full value; record the debt as a liability in the books of account. See the Note in the instruction for line 1d.

Line 1a.—Direct public support.—Enter the total contributions, gifts, grants, and bequests that the organization received directly from the public. Include amounts received from individuals, trusts, corporations, estates, and foundations. Also include contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization. (See instructions for line 1b.) Report membership dues and assessments on line 1a to the extent they represent contributions from the public rather than payments for benefits received (see the instructions for line 3) or payments from affiliated organizations. Report government grants on line 1c if they represent contributions, or on line 2 or 11 if they represent fees for services.

Amounts contributed by a commercial co-venture, should be reported on line 1a as a contribution received directly from the public.

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These are amounts due the donee organization for letting an outside organization or individual use its name in a sales promotion campaign in which the donor advertises that it will contribute a certain dollar amount to the named donee organization for each unit of a particular product or service sold or for each occurrence of a specified type.

Contributions received through special fundraising events should be reported on line 1a.

Line 1b.—Indirect public support.— Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular State, and allocate part of the net proceeds to each participating organization on the basis of individual donors' designations and other factors.

Also include on line 1b amounts contributed by other organizations closely associated with the reporting organization. This would include contributions received from a parent organizaton, subordinate, or another organization having the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1b.

Line 1c.—Government grants.—The instructions on page 4 under the heading "Grants equivalent to contributions," apply to this item in particular. A grant or other payment from a governmental unit represents a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

Following are examples of governmental grants and other payments that represent contributions:

1. payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public;

2. payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents;

3. payments to child placement or child guidance organizations under government programs serving children in the community. The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.

Line 1d.—Total contributions, etc.— Enter the total of amounts reported on lines 1a through c.

Schedule of contributors (not open to public inspection. **Caution:** *See note below).*— Attach a schedule listing contributors during the year who gave the organization, directly or indirectly, money, securities, or other property worth at least $5,000. Show each person's name and address, the total amount received, and the date received. "Person" means an individual, fiduciary, partnership, corporation, association, trust, or exempt organization.

In determining whether a contributor gave at least $5,000, total that person's gifts of $1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value.

Note: *For contributions to you of property (other than publicly traded securities) whose fair market value is greater than $5,000, you should usually receive from the contributor a partially completed* ***Form 8283****, Noncash Charitable Contributions. You should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for your records. Also see General Instruction C11.*

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given, unless you know that a particular employee gave enough to be listed separately.

If the organization meets the terms of either of the following exceptions, some information in your schedule will vary from that described above. If no one contributed the reportable minimum, you do not need to attach a schedule.

Exception 1: *Organization described in section 501(c)(3) that meets the 33 ⅓ % support test of the regulations under section 170(b)(1)(A)(vi) (whether or not the organization is otherwise described in section 170(b)(1)(A)).*

In your schedule, give the information described above only for contributors whose gifts of $5,000 or over are more than 2% of the total gifts (reported on line 1d) the organization received during the year.

Exception 2: *Organization described in section 501(c)(7), (8), (10), or (19) that received contributions or bequests to be used only as described in sections 170(c)(4), 2055(a)(3), or 2522(a)(3).*

The schedule should list each person whose gifts total $1,000 or more during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in secton 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total gifts that were $1,000 or less and were for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

Note: *If you file a copy of Form 990 and attachments with any State, do not include the list of contributors discussed above unless the list is specifically required by the State with which you are filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

Line 2.—Program service revenue.— Enter the total program service revenue from Part IV, line f. Program services are primarily those that form the basis of an organization's exemption from tax. (See instructions for Part II, column (B).) For example, a hospital would report on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Other examples of program service revenue are tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum, royalties received as author of an educational publication distributed by a commercial publisher, interest income on loans a credit union makes to its members, payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage, insurance premiums received by a fraternal beneficiary society, and registration fees received in connection with a meeting or convention.

Program service revenue also includes income from program-related investments, which are investments made for the primary purpose of accomplishing an exempt purpose consistent with the investing organization's exempt status, rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained in accordance with generally accepted accounting principles for other types of organizations that are required to file Form 990. In view of this circumstance, hospitals, colleges, and universities may report as program service revenue on line 2 sales of inventory items otherwise reportable on line 10a. In that event, the applicable cost of goods sold would be shown as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations should not report sales of inventory items on line 2.

Line 3.—Membership dues and assessments.—Enter members' and affiliates' dues and assessments that are not contributions. Regardless of whether membership benefits are used, dues to a charitable organization are a contribution to the extent they are more than the monetary value of these membership benefits to the dues payer. (See Rev. Ruls. 54-565, 1954-2 C.B. 95, and 68-432, 1968-2 C.B. 104.)

Examples of such benefits include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard other intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

When a member pays dues primarily to support the organization's activities, rather than to derive benefits of more than nominal monetary value, that dues payment represents a contribution. The availability of benefits worth more than a nominal amount shows that the intent in paying the dues was to receive those benefits and not to make a contribution.

For membership organizations other than those described in section 501(c)(3), members generally receive benefits or consideration in return for dues; therefore, dues in that situation are not contributions and should be reported on line 3. This is particularly true of organizations described in sections 501(c)(5), 501(c)(6) or 501(c)(7), although benefits to members may be indirect.

Line 4.—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, etc., are really interest and should be entered on line 4.

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Line 5.—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a.—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 55. Do not include amounts that represent income from an exempt function (program service) which should be reported on line 2 (and the related expenses which should be reported in column (B) of Part II). For example, an organization whose exempt purpose is to provide low rental housing to persons with low income would receive exempt function income from such rentals. Renting office space or other facilities or equipment to unaffiliated exempt organizations is not income from an exempt function (and should be reported on line 6a) unless the charge is well below the fair rental value of the property, and the lessor's purpose in charging less than the fair rental value was to help the lessee carry out its exempt purpose. Only for purposes of completing Form 990, treat income from renting property to affiliated exempt organizations as exempt function income (program service revenue) and report it on line 2.

Line 6b.—Rental expenses.—Enter the expenses paid or incurred for the income reported on line 6a. Include depreciation if it is recorded in the organization's books and records.

Line 6c.—Net rental income (loss).— Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7.—Other investment income.— Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments (see instructions for line 2). Also exclude unrealized gains and losses on investments carried at market value (see instructions for line 20).

Lines 8a-c.—Capital gains.—Attach a schedule listing each asset (other than inventory items) sold or exchanged. Show for each one: (a) date acquired, how acquired, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis, or if donated, value at time acquired (state which); (d) expense of sale and cost of improvements made after acquired, and (e) if depreciable property, depreciation since acquired. The schedule should show security transactions separately from the sale of other assets.

Publicly traded securities.—For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required in the paragraph above. For this return, publicly traded securities include common and preferred stocks, bonds (including governmental obligations) and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available. You may use average cost basis to figure the organization's gain or loss from sales of securities to be reported on Form 990. For this purpose, when securities are sold, you may figure gain or loss by comparing the sales price with the average cost basis of the particular security. Do not use average cost basis to figure gain or loss from security sales reportable on Form 990-T.

Report all sales of securities on lines 8a-c in the column with that heading. Use the "Other" column to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other capital assets (such as program-related investments and fixed assets used by the organization in its regular activities).

For each column, enter the total gross sales price of all involved assets on line 8a, Part I. Total the cost or other basis (less depreciation), and selling expenses and enter the result on line 8b. Enter the total net gain or loss on line 8c. On lines 8a and c report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described above.

Add the gain and/or loss figures reported in the "Securities" column and the "Other" column on line 8c and report that total on line 8c in the "Total" column. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

Lines 9a-c.—Special fundraising events and activities.—On the appropriate line enter the gross revenue, expenses, and net income from all special fundraising events and activities such as dinners, dances, carnivals, raffles, bingo games, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities. This is done by offering goods or services of more than nominal value (compared to the price charged) in return for a payment higher than the direct cost of the goods or services provided. If the goods or services have only nominal value, report all of the receipts as contributions on line 1 and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II.

An activity which generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event and should not be reported on line 9.

The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called "sweepstakes" or "lotteries") are contributions and the related expenses are fundraising expenses reportable in column D of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special fundraising events unless the prizes awarded have only nominal value. Characterizing any required payment as a "donation" or "contribution" on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990. As discussed above, the amount of the contribution is the excess of the amount paid over the value received by the payor.

Special fundraising events sometimes generate both contributions and revenue. When a buyer pays more than the value of the goods or services furnished, report that excess on line 1 as a contribution and report the value of the goods or services on line 9a as gross revenue. Report on line 9b only the direct expenses attributable to the goods or services the buyer receives. See "Contributions, Gifts, Grants, and Similar Amounts Received" on page 4 of these instructions.

Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event the gross receipts, the amount of contributions included in gross receipts (see instructions above), the gross revenue (gross receipts less contributions), the direct expenses, and the net income (gross revenue less direct expenses). Furnish the same information in total figures for all other special events held that are not among the three largest. Indicate the type and number of the events not listed individually (for example, 3 dances and 2 raffles).

If the above schedule is prepared in columnar format, the total of the gross revenue column will be the amount reportable in the column on line 9a; the totals of the direct expense column and the net income column will be the amounts reportable on lines 9b and 9c, respectively; and the total of the contributions will be the amount that should be entered in the parentheses outside the column on line 9a. The latter amount should also be combined with all other direct public support and reported on line 1a.

If you include an expense on line 9b, do not report it on line 10b or in Part II.

Lines 10a-c.—Gross profit on sales of inventory.—Enter the gross sales (minus returns and allowances), cost of goods sold, and gross profit (or loss) from the sale of all inventory items, other than those sold in special fundraising events and activities reported on line 9. These inventory items are ones the organization either makes to sell to others or buys for resale. The latter does not include investments on which the organization expected to profit by appreciation and sale. Report sales of investments on line 8. On line 10 report sales revenue and the related cost of goods sold, whether the sale of the merchandise involved is an exempt function or an unrelated trade or business.

Hospitals, colleges, and universities should refer to the instructions for line 2 for an optional method of reporting sales of inventory items that would otherwise be reportable on line 10.

Line 11.—Other revenue.—Enter the amount from Part IV, line g. This figure represents the total income from all sources not covered by lines 1 through 10. Each of these revenue-producing activities must be listed in Part IV. Income reportable on line 11 would include interest on notes receivable not held as investments, interest on loans to officers, directors, trustees, key employees and other employees, and royalties that do not constitute investment income or program service revenue.

Line 12.—Total revenue.—Enter the total of lines 1d through 11. If the amount is $25,000 or less, see instruction I about the short format for small organizations.

Lines 13 through 15.—Program services, management and general, and fundraising expenses.—*4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations.*—If you report more than $25,000 of total revenue on line 12 you should complete Part II and then come back to lines 13 through 15. Enter the appropriate amount from the column (B), (C), and (D) totals reported on line 44, Part II.

If line 12 is $25,000 or less, you do not have to enter an amount on lines 13, 14, or 15 of the Form 990 you file with IRS, and should skip to line 16. However, see instruction D if you use a copy of Form 990 for State reporting purposes.

All other organizations.—You are not required to complete lines 13 through 15 regardless of your total revenue.

Line 16.—Payments to affiliates.—This expense classification is used to report certain types of payments to organizations "affiliated with" (closely related to) a reporting agency. Predetermined quota support and dues payments (excluding membership dues of the type described below) by local agencies to their State or national organizations for unspecified purposes, i.e., general use of funds for the national's own program and support services,

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are to be reported on this line. Purchases of goods or services from affiliates are not reported here but as expenses in the usual manner.

In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if: (1) the goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the State or national organization); and (2) the costs involved are not connected with the management and general or fundraising functions of the reporting organization (for example, when a local organization furnishes a copy of its mailing list to the State or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list).

Federated fundraising agencies (see instructions for line 1b) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as awards and grants (line 22) and quota support payments to their State or national organization as payments to affiliates (line 16).

Voluntary awards or grants made by the reporting agency to its State or national organization for specified purposes should not be reported here but on line 22, grants and allocations.

Membership dues that represent amounts paid to procure general membership benefits, such as regular services, publications and materials, from other organizations should be reported as "other expenses" on line 43. This would be the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members, all of which solicit contributions by mail or telephone. Dues payments by the local charity to its affiliated State or national (parent) organization would usually be reportable on line 16.

Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate.

Note: *Properly distinguishing between payments to affiliates and awards and grants is especially important if you use Form 990 for State reporting purposes, as discussed in instruction D. If you use Form 990 only for reporting to IRS, payments to affiliated State or national organizations that do not represent membership dues reportable on line 43 (see instructions above) may be reported either on line 16 or on line 22 and explained in the required attachment.*

Line 17.—Total expenses.— Organizations reporting $25,000 or less on line 12 should complete column (A) of Part II and then enter the total of line 16 and line 44, column (A). Organizations using Form 5500, 5500-C, or an approved DOL form as a partial substitute for Form 990 (see instruction E) enter the total expense figure from Form 5500 or 5500-C or from the required reconciliation schedule if Form LM-2 or LM-3 is used. Other organizations, enter the total of lines 13 through 16.

Line 18.—Excess (deficit) for the year.— Enter the difference between lines 12 and 17. If line 17 is more than line 12, enter the difference in parentheses.

Line 19.—Fund balances or net worth, beginning of year.—Enter the amount from column (A) of line 74 (or from Form 5500, 5500-C, or an approved DOL form if instruction E applies).

Line 20.—Other changes in fund balances or net worth.—Attach a schedule explaining any changes in fund balances or net worth between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity and unrealized gains and losses on investments carried at market value. If you use the Unrestricted and Restricted columns, show transfers between unrestricted and restricted funds. The net effect of such transfers would be -0- in the Total column.

Line 21.—Fund balances or net worth, end of year.—Enter the total of lines 18, 19, and 20. The figure in the Total column should equal the amount reported in column (B) of line 74.

Part II.—Statement of Functional Expenses—

All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 or 5500-C as a partial substitute for Form 990 in accordance with instruction E. Columns (B), (C), and (D) are optional for all organizations other than section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations. Section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations must complete columns (B), (C), and (D) if total revenue (line 12 of Part I) is more than $25,000. They need not complete these three columns if total revenue is $25,000 or less. (See instruction I.) Those organizations, however, may be required to complete all of the columns in Part II for a Form 990 filed with one or more States (see instruction D).

Part II reflects the organization's expenses by object classification (salaries, legal fees, supplies, etc.) allocated into three functions: program services (column (B)); management and general (column (C)); and fundraising (column (D)). These functions are explained below in the instructions for the columns. Do not include in Part II any expense items you must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D) (but see instructions L2 and D). If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used. The amounts reported should be accurate and the method of allocation documented in the organization's records.

Expenses which are directly attributable to a particular functional category must be reported in the appropriate column. Expenses which relate to more than one functional category generally should be allocated. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total.—Column (A) is the total of columns (B), (C), and (D) for each line item in Part II. Except for expenses you report on lines 6b, 8b, 9b, 10b, or 16 of Part I, you should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program services.— Program services are mainly those activities which the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source.

Program services can also include the organization's unrelated trade or business activities. For example, publishing a magazine is a program service even though it contains both editorials and articles that further the organization's exempt purpose and advertising, the income from which is taxable as unrelated business income.

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if you report the grant on line 1 as a contribution.

Column (C)—Management and general.— Use column (C) to report the organization's expenses for overall management and functioning, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions. Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting, auditing, personnel and other centralized services; investment expenses (except those relating to rental income and program-related income—report rental expenses on line 6b and program-related expenses in column (B)); general liability insurance; preparation, publication, and distribution of an annual report; and office management.

However, you should report only general expenses in column (C). Do not use it to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising.—Fundraising expenses represent the total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests, grants from foundations or other organizations, or government grants reportable on line 1c; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions and other materials; and (e) conducting special fundraising events that generate contributions reportable on line 1a in addition to revenue reportable on line 9a, but any expenses attributable to revenue on line 9a (that is, the direct expenses incurred in furnishing the goods or services sold) should be reported on line 9b.

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Allocating indirect expenses.—Colleges, universities, hospitals and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in a single step or in multiple steps may find it easier to report these expenses in the following optional manner:

First, the expenses of these indirect cost centers may be reported on lines 25 through 43 of the management and general expense column in Part II, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center among program services, management and general, and fundraising as a separate item entry on line 43, Other expenses. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special fundraising events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense on both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), Program services, and (D), Fundraising, enter these expenses as positive amounts in these columns and as single negative amounts in column (C). Do not make any entries in column (A), Total, for these offsetting entries.

The above instructions can be illustrated by the following example. An organization reports $50,000 of actual management and general expenses and $100,000 of expenses of an indirect cost center that are to be allocated in part to other functions. The total of lines 25 through 43 of column (C) would be $150,000 before the allocations were made. Assume that $10,000 (of the $100,000 total expenses of the cost center) was allocable to fundraising, $70,000 to various program services, $15,000 to management and general functions and $5,000 to special fundraising events and activities. To report this in Part II under this alternate method:

(1) Indicate the cost center, the expenses of which are being allocated, on line 43 "Allocation of (specify) expenses";

(2) Enter a decrease of $5,000 on the same line in the Total column, representing the special fundraising event expenses already reported on line 9b in Part I;

(3) Enter $70,000 on the same line in the Program services column;

(4) Enter $10,000 on the same line in the Fundraising column; and

(5) Enter a decrease of $85,000 on the same line in the Management and general column, representing the allocations to functional areas other than management and general.

After these allocations were made, the column (C) total (line 44, column (C)) would be $65,000, consisting of the $50,000 aggregate amount and the $15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a simple one-step allocation that was used to show how to report the allocation in Part II. This reporting method would actually be needed more in the case of multiple step allocations in which two or more cost centers are involved. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, and so on. The greater the number of these cost centers which are allocated out, the more difficult it would be to preserve the identity of the object classification (salaries, interest, supplies, etc.) of the expenses of each cost center. The reporting method described above avoids this problem.

Note: *The above instructions are intended only to facilitate the reporting of indirect expenses by both object classification and function. They do not in any way sanction the allocation to other functions of expenses properly reportable as management and general expenses.*

Line 22.—Grants and allocations.—Enter the amount of awards and grants to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies. Voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also should be reported on line 22, but not required payments to affiliates reportable on line 16.

Scholarship, fellowship and research grants to individuals should be reported on line 22. Certain other payments to or for the benefit of individuals may be reportable on line 23 instead. See the instructions for line 23 for specific information.

Only the amount of actual grants and awards should be reported on line 22. Expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award should be reported on lines 25 through 43.

Attach a schedule of amounts reported on line 22. Show: (a) each class of activity; (b) donee's name and address and the amount given; and (c) (in the case of grants to individuals) relationship of donee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If the property's fair market value when the organization gave it is the measure of the award or grant, also show on the schedule: description of the property; its book value; how the book value was determined; how the fair market value was determined; and the date of the gift. Any difference between fair market value and book value should be recorded in the organization's books of account.

Line 23.—Specific assistance to individuals.—Enter the amount of payments to or for the benefit of particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person or persons to receive the assistance available through the use of the grant funds. For example, a payment to a hospital to cover the medical expenses of a particular individual should be reported on line 23, but not a contribution to a hospital to provide some service to the general public or to unspecified charity patients. Also, do not include scholarship, fellowship or research grants to individuals even though selected by the grantor organization. Report these grants on line 22 instead.

Attach a schedule showing the total payments for each particular class of activity, such as food, shelter and clothing for indigents or disaster victims; medical, dental and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24.—Benefits paid to or for members.—For an organization giving benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of: (a) death, sickness, hospitalization or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report on this line the cost of employment related benefits the organization gives its officers and employees. Report those expenses on lines 27 and 28.

Line 25.—Compensation of officers, directors, etc.—Enter the total compensation paid officers, directors, and trustees for the year. In Part VI list each one's name and compensation (if any) along with the other information requested.

Each person you list should report this compensation on his or her income tax return, unless the Code specifically excludes any of the payments from income tax. **Publication 525,** Taxable and Nontaxable Income, may be helpful and is available free from IRS.

You must file Form 941 to report income tax withholding and social security taxes, and must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Line 26.—Other salaries and wages.—Enter the total of employees' salaries not reported on line 25.

Line 27.—Pension plan contributions.—Enter the employer's share of contributions that the organization paid to qualified and nonqualified pension plans for the year. Complete Form 5500, 5500-C, or 5500-R, as appropriate, for your plan and file as a separate return. If you have more than one plan, complete the appropriate form for each plan. File the form by the last day of the 7th month after the plan year ends. See instruction C9 on page 1.

Line 28.—Other employee benefits.—Enter the amount of your contributions to employee benefit programs (such as insurance, health and welfare programs) that are not an incidental part of a pension plan included on line 27. Also see instruction C9 on page 1 and the instructions for Form 5500.

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Line 29.—Payroll taxes.—Enter the amount of Federal, State, and local payroll taxes for the year, but only those taxes that are imposed on the organization as an employer. This would include the employer's share of FICA taxes, the FUTA tax, State unemployment compensation taxes, and other State and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and State income taxes and the employees' shares of FICA tax).

Line 30.—Professional fundraising fees.—Enter the organization's fees to outside fundraisers for solicitation campaigns they conducted, or for providing consulting services in connection with a solicitation of contributions by the organization itself.

Line 31.—Accounting fees.—Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32.—Legal fees.—Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, Other expenses.

Line 33.—Supplies.—Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34.—Telephone.—Enter the total telephone, telegram and similar expenses for the year.

Line 35.—Postage and shipping.—Enter the total amount of postage, parcel delivery, trucking and other delivery expenses, including the cost of shipping materials.

Line 36.—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than those reported on line 34), outside janitorial services, mortgage interest, real estate taxes, and similar expenses. Do not include depreciation (reportable on line 42) or any salaries of your own employees (reportable on line 26).

Line 37.—Equipment rental and maintenance.—Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38.—Printing and publications.—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films and other informational materials. (However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.) Also include the cost of any purchased publications.

Line 39.—Travel.—Enter the total travel expenses, including transportation costs (fares, mileage allowances and automobile expenses), meals and lodging, and per diem payments.

Line 40.—Conferences, conventions and meetings.—Enter the total expenses incurred by the organization in conducting meetings relating to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses and printed materials, but not the salaries and travel expenses of the reporting organization's own officers, directors, trustees and employees who participate. Also include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings or conventions conducted by other organizations.

Line 41.—Interest.—Enter the total interest expense for the year, excluding any interest attributable to rental property (reported on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42.—Depreciation, depletion, etc.—If your organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. You are not required to use the Accelerated Cost Recovery System (ACRS) to compute the depreciation you report on Form 990. If you record depreciation using ACRS, attach **Form 4562,** Depreciation, or a schedule showing the same information required by Form 4562. If you do not use ACRS, attach a schedule showing how you computed depreciation.

You should use the same method of computing depreciation on line 42 that you use for the balance sheet, Part V of this Form 990.

If you claim a deduction for depletion, attach a schedule explaining the deduction.

Line 43.—Other expenses.—Indicate the type and amount of each significant expense for which a separate line is not provided. Report all other miscellaneous expenses as a single total. Expenses that might be reported here include: investment counselling and other professional fees not reportable on lines 30 through 32; penalties, fines and judgments; unrelated business income taxes; and real estate taxes not attributable to rental property or reported as occupancy expenses. Attach a schedule if more space is needed.

Some States that accept Form 990 in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See instruction D.

Line 44.—Total functional expenses.—Add lines 22 through 43 and enter the totals in columns (A), (B), (C), and (D). Report the column (B) total on line 13 of Part I, the column (C) total on line 14, and the column (D) total on line 15. If you reported $25,000 or less on line 12, add the column (A) total to the amount on line 16 and enter the sum on line 17.

Part III.—Statement of Program Services Rendered—

Provide the information specified in the instructions above line a of Part III for each of the organization's four largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in four or fewer of such activities. If part of the total expenses of any program service consists of grants and allocations reported on line 22, indicate the amount of the grants and allocations in the space provided.

Attach a schedule that lists the organization's other program services and the total expenses incurred in connection with each. The detailed information required in Part III for the four largest services is not required for the services listed on the attached schedule.

If the organization reports on line 82 the value of any donated services or use of materials, equipment or facilities it received, it can also indicate in Part III the amount received and utilized in connection with specific program services. However, the applicable amounts should be disclosed only on the lines for the narrative description of the appropriate program services and must not be included in the expense column in Part III.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Service outputs or products are measures of a program service, such as clients served, days of care, therapy sessions, or publications issued. Quantity is the number of outputs or products rendered, such as 4,080 counseling contacts.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

You may furnish reasonable estimates for the statistical information (number of clients, patients, etc.) called for by Part III if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Listing expenses optional for certain organizations.—If your organization was not required to complete column (B) of Part II (see the instructions to Part II), you need not list the expenses of the program services you report in Part III or the attached schedule described above.

Part IV.—Program Service Revenue and Other Revenue—

List each revenue-producing program service activity and each "other" activity as described in the instructions for lines 2 and 11. Enter the gross revenue (that is, without subtracting any related expenses) from each such activity in the proper column. Line a is to be used only for reporting fees from government agencies that do not constitute grants reportable on line 1c of Part I. Report the total of each column on lines f and g of Part IV and on lines 2 and 11 of Part I.

Part V.—Balance Sheets—

All organizations must complete columns (A) and (B) to the extent applicable. (However, see instruction E regarding the use of a substitute balance sheet in certain cases.) Smaller organizations filing Form 990 with IRS are not required to complete all line items in those two columns, as explained by instruction I and the information in the Part V heading on page 3 of the return.

Columns (C) and (D) are optional for reporting to IRS, although some States that accept Form 990 in place of their own forms may require that those columns be completed on the Form 990 filed with them. Some States may also require smaller organizations to complete the entire balance sheet instead of only those lines specified in instruction I. See instruction D for more information about completing a Form 990 to be filed with any State or local government agency.

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When any line item in Part V calls for a schedule to be attached, a schedule is required only for the end of year balance sheet figure reported in column (B). Similarly, when space is provided to the left of column (A) for reporting any receivables or depreciable assets and the related allowance for doubtful accounts or accumulated depreciation, enter the end of year figures. (We do not need this information for beginning of year figures in column (A).)

Line 45.—Cash—non-interest bearing.—Enter the total of non-interest bearing cash in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46.—Savings and temporary cash investments.—Enter the total of interest bearing cash in checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year. Report the income from these investments on line 4.

Line 47.—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 58, Other assets.) Any receivables due from officers, directors, trustees, or key employees must be reported on line 50. Receivables (including loans and advances) due from other employees should be reported on line 58.

Line 48.—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of year, reduced by the amount of pledges estimated to be uncollectible.

Line 49.—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 50.—Receivables due from officers, directors, trustees, and key employees.— All receivables due from officers, directors, trustees, and key employees and all secured and unsecured loans to such persons must be reported on line 50 and in an attached schedule described below. The term "key employees" refers to the chief administrative officers of an organization (such as an executive director or chancellor), but does not include the heads of separate departments or smaller units within an organization.

In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose during the normal course of the organization's operations may be reported as a single total for all the officers, directors, trustees, and key employees. Travel advances made in connection with official business of the organization may also be reported as a single total.

However, salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from non-typical transactions, must be reported as separate loans for each officer, director, etc.

Attach a schedule that shows the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately in accordance with the above instructions:

(a) borrower's name and title;
(b) original amount;
(c) balance due;
(d) date of note;
(e) maturity date;
(f) repayment terms;
(g) interest rate;
(h) security provided by the borrower;
(i) purpose of the loan; and
(j) description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc. common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported in total (see above instructions), but report and identify those totals separately in the attachment.

Line 51.—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also identify the relationship of the borrower to any officer, director, trustee, or key employee of the organization.

Notes receivable from loans by a credit union to its members and scholarship loans by a section 501(c)(3) organization do not have to be itemized. These loans should merely be identified as such on a schedule and the total amount of such loans outstanding indicated.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full detail of a loan to a section 501(c)(4) organization, but would have to provide only the name of the borrower and the balance due on a note arising from a loan to another section 501(c)(3) organization.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization). A schedule of these loans is not required.

Loans to officers, directors, trustees, and key employees must be reported on line 50. Loans to other employees should be reported on line 58.

Line 52.—Inventories for sale or use.— Enter the amount of materials, goods and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 53.—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Line 54.—Investments—securities.— Enter the book value (which may be market value) of securities held as investments, and attach a schedule that lists the securities held at the end of the year, and indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end of year market value. Debt securities of the U.S., State, and municipal governments, corporate stocks and bonds, and other publicly traded securities (defined in the instructions for line 8) do not have to be listed individually, except for stock holdings that represent 5% or more of the outstanding shares of stock of the same class. However, show separate totals for each type of security (U.S. government obligations, corporate stocks, etc.). Do not include amounts reported on line 46.

Line 55.—Investments—land, buildings and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56.—Investments—other.—Enter the amount of all other investment holdings not reported on line 54 or 55. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end of year market value. Report the income from these assets on line 7. Do not include program-related investments (see instructions for line 58).

Line 57.—Land, buildings and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings and equipment owned by the organization and not held for investment. This would include any property, plant and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58.—Other assets.—List and show the book value of each category of assets not reportable on lines 45 through 57. Attach a separate schedule if more space is needed.

One type of asset reportable on line 58 would be program-related investments, which are investments made primarily to accomplish some exempt purpose of the filing organization rather than to produce income.

Line 59.—Total assets.—Enter the total of lines 45 through 58.

Line 60.—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61.—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

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Line 62.—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 63.—Loans from officers, directors, trustees and key employees.—Enter the unpaid balance of loans received from officers, directors, trustees and key employees (see the instructions for line 50 for definition). For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 50.

Line 64.—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each non-mortgage note payable, the name of the lender and the other information specified in items (b) through (j) of the instructions for line 50. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65.—Other liabilities.—List and show the amount of each liability not reportable on lines 60 through 64. Attach a separate schedule if more space is needed.

Line 66.—Total liabilities.—Enter the total of lines 60 through 65.

Lines 67 through 74.—Fund Balances or Net Worth.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 67 and complete lines 67 through 70 to report the various fund balances. Also complete line 74 to report the sum of the fund balances and line 75 to report the sum of the total liabilities and fund balances.

Organizations not using fund accounting, see the instructions under that heading (below) for completing the net worth section. Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance) "income," and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. Parts I, II, and V of this form, however, require such consolidation. Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 67 through 70) of the balance sheet.

Some States that accept Form 990 as their basic report form may require a separate statement of changes in fund balances. See instruction D.

Line 67a and 67b.—Current funds.—Enter the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 68.—Land, building and equipment fund.—Enter the fund balance per books for the land, building and equipment fund (plant fund).

Line 69.—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here if not significant in amount, or on line 70. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 70.—Other funds.—Enter the total of the fund balances for all funds not reported on lines 67 through 69. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 71 and report net worth account balances on lines 71 through 74. Also complete line 75 to report the sum of the total liabilities and net worth.

Line 71.—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 72.—Paid-in or capital surplus.— Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others gave donations that the organization records as paid-in capital, include them here. Any current year donations you include on line 72 should be reported in Part I, line 1.

Line 73.—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts enter the balance per books in the accumulated income or similar account.

Line 74.—Total fund balances or net worth.—For organizations that use fund accounting, enter the total of lines 67 through 70. For all other organizations, enter the total of lines 71 through 73. The beginning of the year figure in column (A) should be carried over to the Total column in Part I, line 19. The end of year figure in column (B) should agree with the figure on line 21 of the Total column in Part I.

Line 75.—Total liabilities and fund balances/net worth.—Enter the total of lines 66 and 74. That figure must equal the figure for total assets reported on line 59 for both the beginning and end of year.

Part VI.—List of Officers, Directors, and Trustees—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. List all of these persons even if they did not receive any compensation from the organization. Show the compensation, if any, the organization paid each one during the period covered by the return.

Column (C).—Enter each officer's or director's compensation separately in the space provided. DO NOT aggregate all of the officers' and directors' compensation into a combined total.

Column (E).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization, or allowances that were more than the payee spent on serving the organization.

Part VII.—Other Information—

Line 76.—Change in activities.—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities would be those not listed as current or planned in your application for recognition of exemption; or those not already made known to IRS by a letter to your key district director or by an attachment to your return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

Line 77.—Changes in organizing or governing documents.—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A "conformed" copy is one that agrees with the original document, and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate State official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for more information.

When a number of changes are made, send a copy of the entire revised organizing instrument or governing document.

Line 78.—Unrelated business income.— See general instruction C2 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), 501(e), 501(f), and 501(k) organizations having such income. Items of income and expense reported on Form 990-T must also be reported on Form 990 when the organization is required to file both forms. For purposes of line 78c, the term "business activities" includes any income generating activity involving the sale of goods or services or income from investments.

Line 79.—Liquidation, dissolution, termination, or substantial contraction.—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining which took place.

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For a complete liquidation of a corporation or termination of a trust, write **"Final Return"** at the top of the organization's Form 990. On the statement you attach, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing: the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one, and each asset's fair market value.

A substantial contraction is a partial liquidation or other major disposition of assets, except transfers for full consideration or distributions from current income.

A major distribution of assets means any disposition for the tax year that is:

(a) at least 25% of the fair market value of the organization's net assets when the tax year began; or

(b) one of a series of related dispositions begun in earlier years that together add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions is determined by the facts in each case.

Line 80.—Relation to other organizations.—Answer "Yes" if most of the organization's governing body, officers, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard a coincidental overlap of membership with another organization (that is, when membership in one organization is not a condition of membership with another organization). For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80 if it does not require its members to belong to the chamber of commerce.

Also disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80 even if it belonged to a State or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80.

Line 81.—Expenditures for political purposes.—A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, State, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

Line 82.—Donated services or facilities.—Since Form 990 is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, you may enter the information on line 82. IRS does not require any organization to keep such records. Do NOT include the value of such items in Part I or II or in the expense column in Part III. However, you may indicate the value of donated services or use of materials, equipment or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 83.—Section 501(c)(5) or (6) organizations.—Attempts to influence the opinion of the general public, or any segment of the general public, on legislative matters or referendums constitute grassroots lobbying. Such lobbying may be explicit as in an advertisement that urges the public to contact legislators for the purpose of proposing, supporting, or opposing legislation. Grassroots lobbying may also be implicit in any advertisement or other communication directed at the public if the communication is an attempt to mold public opinion on a legislative matter or referendum. Any lobbying directed at the members of the organization is not grassroots lobbying. Lobbying directed at "potential" members, employees of members, or stockholders of members would be grassroots lobbying. See Regulations section 1.162-20(c) for a discussion of grassroots lobbying.

Line 84.—Section 501(c)(7) organizations.—A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club's facilities.

For this purpose, "gross receipts" are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in the Regulations under section 118), initiation fees, or unusual amounts of income such as from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but no annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 84b on the club's Form 990-T.

Section 501(i) provides that a section 501(c)(7) organization cannot be exempt from income tax if any written policy statement, including the governing instrument and bylaws, provides for discrimination on the basis of race, color, or religion. However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if: (1) the social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or (2) the social club's membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

Line 85.—Section 501(c)(12) organizations.—One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85 percent of its gross income consist of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term "gross income" means gross receipts minus cost of goods sold.

For a mutual or cooperative electric or telephone company, "gross income" does not include amounts received or accrued as "qualified pole rentals" as defined in section 501(c)(12)(D).

For a mutual or cooperative telephone company, "gross income" also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members or from the sale of display listings in a directory furnished to the telephone company's members.

Line 86.—Public interest law firms.—A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. See Rev. Proc. 71-39, 1971-2 C.B. 575. Also attach a report of all fees sought and recovered. See Rev. Proc. 75-13, 1975-1 C.B. 662, about acceptance of attorney's fees.

Line 87.—List of States.—List each State with which you are filing a copy of this return in full or partial satisfaction of State filing requirements.

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1985

Department of the Treasury
Internal Revenue Service

Instructions for Form 990-T

Exempt Organization Business Income Tax Return

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Changes You Should Note

Reduction in Trust Tax Rates

Effective for tax years beginning after 1984, the Tax Rate Schedule for trusts has been adjusted so that inflation will not increase the amount of tax.

Automobiles and Other Listed Property

All taxpayers claiming either a deduction or a credit for automobiles and other "listed property" are required to complete the appropriate sections of Part III, Specific Information Concerning Listed Property, of **Form 4562,** Depreciation and Amortization.

Section 501(c)(17) and (20) Organizations

Organizations with tax years ending after December 31, 1985 must use Schedule F to figure their investment income received or accrued after December 31, 1985.

General Instructions

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Who Must File

Any domestic or foreign organization exempt under section 501(a) must file Form 990-T if it has gross income from an unrelated trade or business of $1,000 or more. See Regulations section 1.6012-2(e). Gross income is gross receipts less the cost of goods sold and/or operations. (See Regulations section 1.61-3.)

Colleges and universities of States and of other governmental units, as well as subsidiary corporations wholly owned by such colleges and universities, are also subject to the Form 990-T filing requirements.

However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by Act of Congress does not have to file.

If you are a shareholder in a regulated investment company, and are filing Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains, complete the heading and signature areas, and enter the amount of credit on the appropriate lines. Also, indicate at the top of the return, "Claim for Refund."

What Is an Unrelated Trade or Business.—An unrelated trade or business is any trade or business that is regularly carried on, and that is not substantially related (aside from the need of the organization for income or funds or the use it makes of the profits) to the organization's exempt purpose or function; or, for a section 511(a)(2)(B) State college or university, to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business is not a trade or business:

(1) In which substantially all the work in carrying on the trade or business is performed for the organization without compensation; or

(2) That is carried on by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or

(3) That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for the convenience of its members at their usual place of employment; or

(4) That sells merchandise substantially all of which was received by the organization as gifts or contributions; or

(5) That consists of qualified public entertainment activities regularly carried on by a section 501(c)(3), (4) or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or

(6) That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(5) or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or

(7) That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or

(8) That consists of bingo games as defined in section 513(f). Generally, a bingo game is not an unrelated trade or business if:

(a) Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game, and

(b) The game does not compete with bingo games conducted by for-profit businesses in the same jurisdiction, and

(c) The game does not violate State or local law; or

(9) That consists of conducting any game of chance if:

(a) The game of chance is conducted by a nonprofit organization;

(b) The conducting of the game does not violate any State or local law; and

(c) As of October 5, 1983, there was a State law in effect that permitted the conducting of the game of chance only by a nonprofit organization; or

(10) That is engaged in qualified pole rentals (as defined in section 501(c)(12)(D)), by a mutual or cooperative telephone or electric company.

A trade or business is any activity carried on for the production of income from selling goods or performing services. An activity does not lose its identity as a trade or business merely because it is carried on within a larger group of similar activities which may or may not be related to the exempt purpose of the organization. If, however, an activity carried on for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Not substantially related means that the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

For more information see **Publication 598,** Tax on Unrelated Business Income of Exempt Organizations.

When to File.—Generally, the organization must file Form 990-T by the 15th day of the 5th month after the end of the organization's tax year. However, an employees' trust defined in section 401(a) must file Form 990-T by the 15th day of the 4th month after the end of its tax year.

Extension.—Corporations may request an automatic 6-month extension of the time to file Form 990-T by filing **Form 7004,** Application for Automatic Extension of Time to File Corporation Income Tax Return.

Trusts may request an extension of the time to file by filing **Form 2758**, Application for Extension of Time to File U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns. Trusts are not granted an automatic extension of the time to file.

Where to File:

If the principal office of the organization is located in ▼	Send the return to the following Internal Revenue Service Center address ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 31101
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, Idaho, Oregon, or Washington	Ogden, UT 84201
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169-171 and 173-196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
California, Hawaii, or Nevada	Fresno, CA 93888
District of Columbia, Maryland, Pennsylvania (ZIP codes beginning with 150-168 and 172 only), Virginia, any U.S. possession, or foreign country	Philadelphia, PA 19255

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Which Parts of Form 990-T to Complete.—If the organization's unrelated trade or business gross income is $10,000 or less, complete page 1 and Part III on page 2, and sign the return. If the organization's unrelated trade or business gross income is more than $10,000, complete all lines and schedules that apply, but do not complete lines 1 through 4 on page 1.

Consolidated Returns.—The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company, and the other earning income from the first, will be includible corporations for purposes of section 1504(a). If the organizations meet the definition of an affiliated group, and the other relevant provisions of Chapter 6 of the Code, then these organizations may file a consolidated return. The parent organization must attach **Form 851,** Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach **Form 1122,** Authorization and Consent of a Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

See Regulations section 1.1502-100 for more information on consolidated returns.

Information Returns—Organizations engaged in an unrelated trade or business may be required to file an information return on **Forms 1099-A, B, DIV, INT, MISC, OID, R,** and **1096** to report certain abandonments, acquisitions through foreclosures, proceeds from broker and barter exchange transactions, dividends, interest, medical and health care payments, miscellaneous income payments, non-employee compensation, original issue discount and total distributions from profit-sharing, retirement plans, and Individual Retirement Arrangements.

Form 1098.—If the organization in the course of its trade or business received from any individual $600 or more of mortgage interest during any calendar year, file **Form 1098**, Mortgage Interest Statement.

Form 5713.—If the organization had operations in or related to an international boycott, it may be required to file **Form 5713**, International Boycott Report. See Form 5713 and its instructions for more information.

Form 8300.—If the organization received more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions), file **Form 8300**, Cash Payments Over $10,000 Received in a Trade or Business.

Accounting Methods.—The organization must figure taxable income using the method of accounting regularly used in keeping its books and records. The method used must clearly reflect income. See section 446.

Unless the law specifically permits otherwise, the organization may change the method used to report income in earlier years (in whole or in part) only by first getting consent on **Form 3115,** Application for Change in Accounting Method. Also see **Publication 538**, Accounting Periods and Methods.

Reporting Form 990-T Information on Other Returns.—Organizations required to file an annual information return on Form 990, 990-PF, or any of the Form 5500 series returns (except Form 5500-R) must include on that information return the unrelated business gross income and expenses (but not including the specific deduction claimed on line 4, page 1, or line 32, page 2, or any expense carryovers from prior years) reported on Form 990-T for the same tax year.

Rounding Off to Whole-Dollar Amounts.—The money items on the return and accompanying schedules may be shown as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—If more space is needed on the forms or schedules, use separate sheets. Show the same information in the same order as on the printed forms. Be sure to show the totals on the printed forms. Use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Be sure to put the organization's name and employer identification number (EIN) on each sheet.

At Risk Provisions.—For the rules limiting a loss to the amount at risk for certain trade or business and production of income activities, see section 465 and **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c).

Specific Instructions

Period to be covered by 1985 Return.—File the 1985 return for calendar year 1985 and fiscal years beginning in 1985. If the return is for a fiscal year, fill in the tax year space in the form heading. To change an accounting period, file **Form 1128,** Application for Change in Accounting Period.

Page 1, Form 990-T

Name, Address and Employer Identification Number.—The name and address on Form 990-T should be exactly as shown on the preaddressed label on the Package 990 (or Package 990-PF). If any information on the preaddressed label is wrong, please correct it.

Block A.—An employees' trust described in section 401(a) and exempt under section 501(a) must put its trust identification number in this block.

Block E.—Please check the box that describes your organization. If you check "Corporation," leave line 8 blank. If you check "Trust," or "Section 401(a) Trust," leave lines 6 and 7 blank.

Block F.—If the organization is covered by a group exemption, put the group exemption number in this block.

Line 4.—Specific deduction.—A specific deduction of $1,000 is allowed except for computing the net operating loss and the net operating loss deduction under section 172.

Only one specific deduction may be taken, regardless of the number of unrelated businesses you conduct. However, a diocese, province of a religious order, or convention or association of churches is allowed one specific deduction for each parish, individual church district or other local unit that regularly conducts an unrelated trade or business. This applies only to those parishes, districts, or other local units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, or association). Each specific deduction will be the smaller of $1,000 or the gross income from any unrelated trade or business the local unit conducts. If you claim a total specific deduction larger than $1,000, attach a schedule showing how you figured the amount.

The parent organization must file a return reporting the gross income and deductions of all units that are not separate legal entities. These local units cannot file a separate return because they are not separately incorporated. Local units that are separately incorporated must file their own return and cannot be included with any other entity except for a title holding company. See the instructions under "Consolidated Returns" above.

For more information on the specific deduction, see section 512 and the related regulations

Tax Computations

Lines 6 and 7.—Corporations.—If the organization is a trust, skip to line 8 to figure its tax. For any organization other than a trust, the corporate tax rates apply.

If the organization is not a member of a controlled group, tax is figured on the unrelated trade or business taxable income on line 5, page 1, as follows:

If the amount is:			
Over—	But not over—	Enter on Line 7	Of the amount over—
0	$25,000	15%	0
$25,000	50,000	$3,750 + 18%	$25,000
50,000	75,000	8,250 + 30%	50,000
75,000	100,000	15,750 + 40%	75,000
100,000	.....	25,750 + 46%	100,000

For taxable income over $1,000,000, an additional tax is imposed at the rate of 5% of the excess over $1,000,000, or $20,250, whichever is less.

If the alternative tax does not apply, enter the amount figured above on line 7. If the alternative tax applies, see **Schedule D (Form 1120),** Capital Gains and Losses.

If the corporation is a member of a controlled group, the following rules apply:

(1) Members of a controlled group, as defined in section 1563, are entitled to only one $25,000 amount in each taxable income bracket. Check the box on line 6a and enter the amount of the $25,000 in each taxable income bracket apportioned to the corporation on line 6b. Enter zero if there is no amount reportable in a bracket.

(2) Members of a controlled group may elect an unequal apportionment plan and divide the $25,000 amount in each taxable income bracket in any manner that they see fit. There is no need for consistency between taxable income brackets, and any member of the controlled group may be entitled to all, some, or none of the

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$25,000 amount in a taxable income bracket as long as the total amount for all members of the controlled group does not exceed $25,000 in any taxable income bracket.

When an apportionment plan is adopted or amended, each member of the controlled group must attach to its tax return a copy of its consent to the plan. The copy should show the amount of the $25,000 in each taxable income bracket apportioned to that member, and other data required under section 1561. See Regulations section 1.1561-3(b) for the time and manner of making the consent.

(3) If no apportionment plan is adopted, the members of the controlled group must divide the $25,000 amount in each taxable income bracket equally among themselves. For example, controlled group AB consists of Corporation A and Corporation B. They do not elect an unequal apportionment plan. Therefore, Corporation A is entitled to $12,500 (one-half of $25,000) in each taxable income bracket and Corporation B is entitled to $12,500 in each taxable income bracket.

(4)The taxable income of all component members of a controlled group should be combined and, if their taxable income exceeds $1,000,000, any excess should be divided among the members in the same manner as the $25,000 amount in each bracket is divided in determining the additional tax. See section 1561(a).

Members of a controlled group figure their tax as follows:

Note: *If the alternative tax applies:*

(1) On line 1 below, enter amount from line 14, Schedule D (Form 1120);

(2) Complete lines 2 through 16 below;

(3) Enter partial tax from line 16 below on line 15, Schedule D (Form 1120), and complete Part IV, Schedule D (Form 1120).

1.	Enter unrelated business taxable income (line 5, page 1)	
2.	Enter the smaller of line 1 or your share of the first $25,000 taxable income bracket	
3.	Subtract line 2 from line 1	
4.	Enter the smaller of line 3 or your share of the second $25,000 taxable income bracket	
5.	Subtract line 4 from line 3	
6.	Enter the smaller of line 5 or your share of the third $25,000 taxable income bracket	
7.	Subtract line 6 from line 5	
8.	Enter the smaller of line 7 or your share of the fourth $25,000 taxable income bracket	
9.	Subtract line 8 from line 7	
10.	15% of line 2	
11.	18% of line 4	
12.	30% of line 6	
13.	40% of line 8	
14.	46% of line 9	
15.	If the taxable income of the controlled group exceeds $1,000,000, enter the portion of the lesser of 5% of the excess over $1,000,000, or $20,250, that this member must pay	
16.	Total of lines 10 through 15. Enter this amount on line 7, page 1	

Line 8.—Trusts.—Trusts exempt under section 501(a), which otherwise would be subject to Subchapter J (estates, trusts, etc.), are taxed at trust rates. This rule also applies to employees' trusts that qualify under section 401(a). Trusts figure the tax on the amount on line 5 using the Tax Rate Schedule for Trusts on this page. Enter this amount on line 8.

Line 9a.—Foreign tax credit.—

(1) *Corporations.*—See **Form 1118,** Computation of Foreign Tax Credit—Corporations, for rules on how to compute the foreign tax credit.

(2) *Trusts.*—See **Form 1116,** Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, for rules on how to compute the foreign tax credit.

Complete the form that applies to the organization and attach the form to its Form 990-T. Enter the credit on this line. **Note:** *If the organization had operations in or related to an international boycott, it may be required to report these operations. See* ***Form 5713,*** *International Boycott Report.*

Line 9b.—Other credits.—

- *Research credit.* Amounts paid or incurred before January 1, 1986, for qualified research expenses in carrying on a trade or business are allowed as a credit. Use **Form 6765**, Credit for Increasing Research Activities, to figure the credit, and attach to Form 990-T.
- *Possessions tax credit.* See **Form 5712,** Election to be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on **Form 5735**, Computation of Possessions Corporation Tax Credit Allowed Under Section 936.
- *Credit for fuel produced from a nonconventional source.* A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Line 9c.—General business credit.— The general business credit includes:

- *Investment credit.* If the organization invested in certain types of trade or business property, including qualified energy property, used mainly in an unrelated trade or business, it may be able to take the investment credit. For more information, see **Form 3468,** Computation of Investment Credit.
- *Alcohol fuel credit.* The organization may be able to take a credit for alcohol used as fuel. This applies to straight alcohol sold at retail or used as fuel in an unrelated trade or business. It also applies to an alcohol mixture sold or used as fuel in an unrelated trade or business. Use **Form 6478**, Credit for Alcohol Used As Fuel, to figure the credit and attach to Form 990-T.

Enter the amount of the credit on line 9c from **Form 3800,** General Business Credit, and check the appropriate boxes indicating which forms are attached to the return. If the organization is claiming only one of these credits, DO NOT complete Form 3800. Instead, check the appropriate box and attach the indicated form in order to claim the credit.

Line 12.—Tax from recomputing prior-year investment credit.—The organization may owe this tax if it disposed of property before the end of the life-years category or recovery period used in computing the investment credit. See **Form 4255**, Recapture of Investment Credit, for more information. Enter any tax from Form 4255 on this line.

Line 13.—Minimum tax.—Corporations may be liable for the minimum tax if they have tax preference items such as:

(1) Accelerated depreciation;

(2) Amortization;

(3) Reserve for losses on bad debts of financial institutions;

(4) Depletion; and

(5) Capital gains.

Include only items of income and deduction that enter into the determination of unrelated business taxable income in figuring the minimum tax.

Attach **Form 4626,** Computation of Minimum Tax–Corporations, if tax preference items exceed $10,000, even if there is no minimum tax, **OR** if there is any minimum tax liability deferred from a prior tax year to this year. See Form 4626 for more information.

Line 14.—Alternative minimum tax.—Trusts liable for tax on unrelated business taxable income may be liable for alternative minimum tax on tax preference items. See section 55 and **Form 6251**, Alternative Minimum Tax Computation. Enter any tax from Form 6251 on this line.

Tax Rate Schedule for Trusts
(Section 1(e) of the Internal Revenue Code)

If the amount on line 5, page 1 is:			*Enter on line 8, page 1:*	
Not over $1,090			11% of the amount	
Over—		*but not over—*		*of excess over—*
$1,090	—	$2,185	$119.90, plus 12%	— $1,090
2,185	—	4,425	251.30, plus 14%	— 2,185
4,425	—	6,555	564.90, plus 16%	— 4,425
6,555	—	8,740	905.70, plus 18%	— 6,555
8,740	—	11,030	1,299.00, plus 22%	— 8,740
11,030	—	13,790	1,802.80, plus 25%	— 11,030
13,790	—	16,545	2,492.80, plus 28%	— 13,790
16,545	—	22,065	3,264.20, plus 33%	— 16,545
22,065	—	29,455	5,085.80, plus 38%	— 22,065
29,455	—	42,775	7,894.00, plus 42%	— 29,455
42,775	—	55,160	13,488.40, plus 45%	— 42,775
55,160	—	82,740	19,061.65, plus 49%	— 55,160
82,740	—		32,575.85, plus 50%	— 82,740

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Line 16b.—Foreign organizations.—Enter the tax withheld on unrelated business taxable income from U.S. sources that is not effectively connected with the conduct of a trade or business within the United States.

Line 16e.—Other payments and credits.—

(1) Exempt organizations are not required to make estimated tax payments. If they choose to make these payments, enter the amount on line 16e. Write "estimated tax payments" on this line beside the entry space.

(2) If the organization has overpaid its windfall profit tax, see **Form 6249**, Computation of Overpaid Windfall Profit Tax. Include any credit on this line. Write "Overpaid Windfall Profit Tax" on the line beside the entry space.

Line 17.—Tax due.—

(1) Corporations.—The tax due must be paid in full when the return is filed but not later than the 15th day of the 5th month after the close of the tax year.

Domestic corporations and foreign corporations with an office or place of business in the U.S. should deposit corporation income tax payments (and estimated tax payments if the organization chooses to make them) with a Federal Tax Deposit Coupon, **(Form 8109).** Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch servicing the geographic area where the taxpayer is located. Do not submit deposits directly to an IRS office, otherwise the corporation may be subject to a 5% Federal Tax Deposit penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in the coupon book for additional information.

Penalty For Overstated Tax Deposits.—If deposits were overstated, the corporation may be subject to a penalty. See section 6656(b).

(2) All trusts and foreign corporations not having an office or place of business in the U.S. may pay the tax by check or money order (in U.S. dollars) payable to the Internal Revenue Service. The tax due must be paid in full when the return is filed.

Signature

Corporations.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, trustee, or by any other corporate officer authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of the organization.

Trusts.—The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody, or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries any one of them may sign.

Paid Preparer.—If an officer of the organization filled in its return, the Paid Preparer's Use Only area should remain blank. If someone prepares the return and does not charge the organization, that person should not sign the return. Certain others who prepare the return should not sign. For example, a regular, full-time employee of the organization does not have to sign.

Generally, anyone who is paid to prepare the organization's tax return must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The person required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable).
- Give the organization a copy of the return in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Penalties and Interest

Late filing of return.—Unless the organization can show reasonable cause for the delay, it may be charged a penalty for not filing a return by its due date, including any extensions. The penalty is 5% of the net amount due for each month or part of a month that the return is not filed, to a maximum of 25%. The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or $100.

Late payment of tax.—Unless the organization can show reasonable cause for the delay, it may be charged a penalty for late payment of tax. The penalty is ½ of 1% of the net amount due for each month or part of a month that the tax remains unpaid, to a maximum of 25%.

These penalties are in addition to any interest charged.

Interest.—Interest will be charged on unpaid tax at a rate determined under section 6621.

Part I—Unrelated Trade or Business Income (Lines 1-13)

Part I and Part II must be completed by organizations with unrelated trade or business gross income over $10,000.

When an organization has gross income from the regular conduct of two or more unrelated business activities, unrelated business gross income is the total gross income from all unrelated business activities.

For a discussion of what income is and is not included in unrelated business income, see Publication 598.

Line 1.—Gross receipts or sales.—Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services. However, if the activity is a type includible in Schedules C through I, report it in the appropriate schedule and corresponding line of Part I instead of on line 1. For example, a section 501(c)(7) social club would report its restaurant and bar receipts from nonmembers on line 1, but would report its investment income in Schedule F and on line 8.

Line 2.—Cost of goods sold and/or operations.—Enter the amount from Line 7, Schedule A, on Line 2, Part I.

Lines 1 and 6, Schedule A.—If the organization is using Schedule A to figure cost of operations and inventories are not an income-determining factor, enter a zero on lines 1 and 6. If the Last-in First-out (LIFO) method of valuing inventory provided in section 472 is elected or extended, attach **Form 970**, Application to Use LIFO Inventory Method, or a similar statement to the return for the first year the organization uses or extends that method.

If the organization is engaged in manufacturing or production operations, it must use the full absorption method of inventory costing. Under this method, include both direct and certain indirect costs for valuing inventory. If the organization is not using the full absorption method of inventory costing, it must change to this method by filing Form 3115. See Regulations section 1.471-11, Rev. Proc. 75-40, 1975-2 C.B. 571; Rev. Proc. 80-51, 1980-2 C.B. 818; and Rev. Rul. 81-272, 1981-2 C.B. 116; for more information.

When facilities are used to conduct exempt activities and unrelated trade or business activities, attach a schedule showing the allocation of the cost of goods sold between the two uses. See Regulations section 1.512(a)-1(c).

Line 4a.—Capital gain net income.—Generally, organizations required to file Form 990-T (except organizations described in sections 501(c)(7) and (9) (and sections 501(c)(17) and (20) for sales, exchanges or dispositions made after 1985)) are not taxed on the net gains from the sale, exchange or other disposition of property. However, net capital gains on debt-financed property, capital gains on cutting timber, and ordinary gains on sections 1245, 1250, 1252, 1254, and 1255 property are taxed. Refer to **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, and its instructions for additional information and computations.

Capital gains and losses should be reported by a trust on **Schedule D (Form 1041)**, Capital Gains and Losses, and by a corporation on **Schedule D (Form 1120)**, Capital Gains and Losses.

An organization that transfers securities it owns for the contractual obligation of the borrower to return identical securities recognizes no gain or loss. To qualify for this treatment, the organization must lend the securities under an agreement which requires:

(1) The return of identical securities;

(2) The payment of amounts equivalent to the interest, dividends, and other distributions that the owner of the securities would normally receive; and

(3) The risk of loss or opportunity for gain is not lessened.

See section 512(a)(5) for more information.

The amount of gain or loss to be reported on the sale, exchange, or other disposition of debt-financed property is the same percentage as the highest acquisition indebtedness for the property for the 12-month period before the date of disposition is to the average adjusted basis of the property. The percentage may not be more than 100%. See the instructions for line 7 to determine basis and average adjusted basis.

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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt from Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy State reporting requirements. See instruction D.

OMB No. 1545-0047

1985

For the calendar year 1985, or fiscal year beginning , 1985, and ending , 19

Use IRS label. Otherwise, please print or type.	Name of organization	A Employer identification number (see instruction L)
	Address (number and street)	B State registration number (see instruction D)
	City or town, state, and ZIP code	C If address changed, check here ▶ ☐

D Check type of organization— Exempt under section ▶ ☐ 501(c) ( ) (insert number), OR ▶ ☐ section 4947(a)(1) trust | Check here if application for exemption is pending ▶ ☐

E Accounting method. ☐ Cash ☐ Accrual ☐ Other (specify) ▶

F Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10)

G Is this a group return (see instruction J) filed for affiliates? ☐ Yes ☐ No
Is this a separate return filed by a group affiliate? ☐ Yes ☐ No
If "Yes" to either, give four-digit group exemption number (GEN) ▶

☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some States may require a completed return.

☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

		(A) Total	These columns are optional—see instructions (B) Unrestricted/Expendable	(C) Restricted/Nonexpendable
Support and Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support			
	b Indirect public support			
	c Government grants			
	d Total (add lines 1a through 1c) (attach schedule—see instructions)			
	2 Program service revenue (from Part IV, line f)			
	3 Membership dues and assessments			
	4 Interest on savings and temporary cash investments			
	5 Dividends and interest from securities			
	6a Gross rents			
	b Minus: rental expenses			
	c Net rental income (loss)			
	7 Other investment income (Describe ▶)			
	8a Gross amount from sale of assets other than inventory (Securities / Other)			
	b Minus: cost or other basis and sales expenses			
	c Gain (loss) (attach schedule)			
	9 Special fundraising events and activities (**attach schedule**—see instructions).			
	a Gross revenue (not including $ of contributions reported on line 1a)			
	b Minus: direct expenses			
	c Net income (line 9a minus line 9b)			
	10a Gross sales minus returns and allowances			
	b Minus: cost of goods sold (attach schedule)			
	c Gross profit (loss)			
	11 Other revenue (from Part IV, line g)			
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)			
Expenses	13 Program services (from line 44, column (B)) (see instructions)			
	14 Management and general (from line 44, column (C)) (see instructions)			
	15 Fundraising (from line 44, column (D)) (see instructions)			
	16 Payments to affiliates (attach schedule—see instructions)			
	17 Total expenses (add lines 16 and 44, column (A))			
Fund Balances	18 Excess (deficit) for the year (subtract line 17 from line 12)			
	19 Fund balances or net worth at beginning of year (from line 74, column (A))			
	20 Other changes in fund balances or net worth (attach explanation)			
	21 Fund balances or net worth at end of year (add lines 18, 19, and 20)			

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

Expenses	*Do not include amounts reported on lines 5b, 8b, 9b, 10b, or 16 of Part I.*	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
	22 Grants and allocations (attach schedule)				
	23 Specific assistance to individuals				
	24 Benefits paid to or for members				
	25 Compensation of officers, directors, etc.				
	26 Other salaries and wages				
	27 Pension plan contributions				
	28 Other employee benefits				
	29 Payroll taxes				
	30 Professional fundraising fees				
	31 Accounting fees				
	32 Legal fees				
	33 Supplies				
	34 Telephone				
	35 Postage and shipping				
	36 Occupancy				
	37 Equipment rental and maintenance				
	38 Printing and publications				
	39 Travel				
	40 Conferences, conventions and meetings				
	41 Interest				
	42 Depreciation, depletion, etc. (attach schedule)				
	43 Other expenses (itemize): a				
	b				
	c				
	d				
	e				
	f				
	44 Total functional expenses (add lines 22 through 43)				

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s) and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

		Expenses (Optional for some organizations—see instructions)
a	(Grants and allocations $)	
b	(Grants and allocations $)	
c	(Grants and allocations $)	
d	(Grants and allocations $)	
e	Other program service activities (attach schedule) (Grants and allocations $)	
f	Total (add lines a through e) (should equal line 44, column (B))	

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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt from Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy State reporting requirement. See instruction D.

OMB No. 1545-0047

1985

For the calendar year 1985, or fiscal year beginning , 1985, and ending 19

Use IRS label. Otherwise, please print or type.	Name of organization	**A Employer identification number** (see instruction L)
	Address (number and street)	**B State registration number** (see instruction D)
	City or town, state, and ZIP code	**C** If address changed, check here . . . . ▶ ☐

D Check type of organization—Exempt under section ▶ ☐ 501(c)( ) (insert number), OR ▶ ☐ section 4947(a)(1) trust | Check here if application for exemption is pending . . ▶ ☐

E Accounting method: ☐ Cash ☐ Accrual ☐ Other (specify) ▶

F Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10).

G Is this a group return (see instruction J) filed for affiliates? . . . . ☐ Yes ☐ No
Is this a separate return filed by a group affiliate? . . . . ☐ Yes ☐ No
If "Yes" to either, give four-digit group exemption number (GEN) ▶

☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some States may require a completed return.

☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

		(A) Total	These columns are optional—see instructions (B) Unrestricted/Expendable	(C) Restricted/Nonexpendable
Support and Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support			
	b Indirect public support			
	c Government grants			
	d Total (add lines 1a through 1c) (attach schedule—see instructions)			
	2 Program service revenue (from Part IV, line f)			
	3 Membership dues and assessments			
	4 Interest on savings and temporary cash investments			
	5 Dividends and interest from securities			
	6a Gross rents			
	b Minus: rental expenses			
	c Net rental income (loss)			
	7 Other investment income (Describe ▶)			
	8a Gross amount from sale of assets other than inventory (Securities / Other)			
	b Minus: cost or other basis and sales expenses			
	c Gain (loss) (attach schedule)			
	9 Special fundraising events and activities (**attach schedule**—see instructions):			
	a Gross revenue (not including $ of contributions reported on line 1a)			
	b Minus: direct expenses			
	c Net income (line 9a minus line 9b)			
	10a Gross sales minus returns and allowances			
	b Minus: cost of goods sold (attach schedule)			
	c Gross profit (loss)			
	11 Other revenue (from Part IV, line g)			
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)			
Expenses	13 Program services (from line 44, column (B)) (see instructions)			
	14 Management and general (from line 44, column (C)) (see instructions)			
	15 Fundraising (from line 44, column (D)) (see instructions)			
	16 Payments to affiliates (attach schedule—see instructions)			
	17 Total expenses (add lines 16 and 44, column (A))			
Fund Balances	18 Excess (deficit) for the year (subtract line 17 from line 12)			
	19 Fund balances or net worth at beginning of year (from line 74, column (A))			
	20 Other changes in fund balances or net worth (attach explanation)			
	21 Fund balances or net worth at end of year (add lines 18, 19, and 20)			

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Expenses				
22 Grants and allocations (attach schedule)				
23 Specific assistance to individuals				
24 Benefits paid to or for members				
25 Compensation of officers, directors, etc.				
26 Other salaries and wages				
27 Pension plan contributions				
28 Other employee benefits				
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies				
34 Telephone				
35 Postage and shipping				
36 Occupancy				
37 Equipment rental and maintenance				
38 Printing and publications				
39 Travel				
40 Conferences, conventions and meetings				
41 Interest				
42 Depreciation, depletion, etc. (attach schedule)				
43 Other expenses (itemize): a				
b				
c				
d				
e				
f				
44 Total functional expenses (add lines 22 through 43)				

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s) and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

		Expenses (Optional for some organizations—see instructions)
a	(Grants and allocations $)	
b	(Grants and allocations $)	
c	(Grants and allocations $)	
d	(Grants and allocations $)	
e	Other program service activities (attach schedule) (Grants and allocations $)	
f	Total (add lines a through e) (should equal line 44, column (B))	

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Part IV **Program Service Revenue and Other Revenue (State Nature)**

		Program service revenue	Other revenue
a	Fees from government agencies		
b			
c			
d			
e			
f	Total program service revenue (enter here and on line 2)		
g	Total other revenue (enter here and on line 11)		

Part V **Balance Sheets** If line 12 or line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and line 59 are $25,000 or less, you may complete only lines 59, 66, 74 and 75. See instructions.

Note: **Columns (C) and (D) are optional.** *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*

		(A) Beginning of year	End of year (B) Total	End of year (C) Unrestricted/ Expendable	End of year (D) Restricted/ Nonexpendable
	Assets				
45	Cash—non-interest bearing				
46	Savings and temporary cash investments				
47	Accounts receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
48	Pledges receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
49	Grants receivable				
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51	Other notes and loans receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
52	Inventories for sale or use				
53	Prepaid expenses and deferred charges				
54	Investments—securities (attach schedule)				
55	Investments—land, buildings and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
56	Investments—other (attach schedule)				
57	Land, buildings and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
58	Other assets ▶ _____				
59	Total assets (add lines 45 through 58)				
	Liabilities				
60	Accounts payable and accrued expenses				
61	Grants payable				
62	Support and revenue designated for future periods (attach schedule)				
63	Loans from officers, directors, trustees and key employees (attach schedule)				
64	Mortgages and other notes payable (attach schedule)				
65	Other liabilities ▶ _____				
66	Total liabilities (add lines 60 through 65)				
	Fund Balances or Net Worth				
	Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67	a Current unrestricted fund				
	b Current restricted fund				
68	Land, buildings and equipment fund				
69	Endowment fund				
70	Other funds (Describe ▶ _____)				
	Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71	Capital stock or trust principal				
72	Paid-in or capital surplus				
73	Retained earnings or accumulated income				
74	Total fund balances or net worth (see instructions)				
75	Total liabilities and fund balances/net worth (see instructions)				

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Part VI **List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions)**

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances

Part VII **Other Information**

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		
78 a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		
b	If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?		
c	If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year (see instructions)? If "Yes," attach a statement as described in the instructions.		
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization (see instructions)? If "Yes," enter the name of the organization ▶ _____ and check whether it is ☐ exempt **OR** ☐ nonexempt.		
81 a	Enter amount of political expenditures, direct or indirect, as described in the instructions ▶		
b	Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		
82	Did your organization receive donated services or the use of materials, equipment or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ▶		
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums (see instructions and Regulations section 1.162-20(c))? If "Yes," enter the total amount spent for this purpose		
84	*Section 501(c)(7) organizations.*—Enter amount of:		
a	Initiation fees and capital contributions included on line 12		
b	Gross receipts, included in line 12, for public use of club facilities (see instructions)		
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion (see instructions)?		
85	*Section 501(c)(12) organizations.*—Enter amount of:		
a	Gross income received from members or shareholders		
b	Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them)		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the States with which a copy of this return is filed ▶ _____		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		
89	The books are in care of ▶ _____ Telephone No. ▶ _____ Located at ▶		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ _____ Signature of officer | Date ▶ _____ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed) and address ▶ _____ | ZIP code

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Part IV **Program Service Revenue and Other Revenue (State Nature)**

		Program service revenue	Other revenue
a	Fees from government agencies		
b			
c			
d			
e			
f	Total program service revenue (enter here and on line 2)		
g	Total other revenue (enter here and on line 11)		

Part V **Balance Sheets** If line 12 or line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and line 59 are $25,000 or less, you may complete only lines 59, 66, 74 and 75. See instructions.

Note: **Columns (C) and (D) are optional.** *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*

		(A) Beginning of year	End of year (B) Total	End of year (C) Unrestricted/ Expendable	End of year (D) Restricted/ Nonexpendable
	Assets				
45	Cash—non-interest bearing				
46	Savings and temporary cash investments				
47	Accounts receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
48	Pledges receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
49	Grants receivable				
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51	Other notes and loans receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
52	Inventories for sale or use				
53	Prepaid expenses and deferred charges				
54	Investments—securities (attach schedule)				
55	Investments—land, buildings and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
56	Investments—other (attach schedule)				
57	Land, buildings and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
58	Other assets ▶ _____				
59	Total assets (add lines 45 through 58)				
	Liabilities				
60	Accounts payable and accrued expenses				
61	Grants payable				
62	Support and revenue designated for future periods (attach schedule)				
63	Loans from officers, directors, trustees and key employees (attach schedule)				
64	Mortgages and other notes payable (attach schedule)				
65	Other liabilities ▶ _____				
66	Total liabilities (add lines 60 through 65)				
	Fund Balances or Net Worth				
	Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67	**a** Current unrestricted fund				
	b Current restricted fund				
68	Land, buildings and equipment fund				
69	Endowment fund				
70	Other funds (Describe ▶ _____)				
	Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71	Capital stock or trust principal				
72	Paid-in or capital surplus				
73	Retained earnings or accumulated income				
74	Total fund balances or net worth (see instructions)				
75	Total liabilities and fund balances/net worth (see instructions)				

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Part VI **List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions)**

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances

Part VII **Other Information**

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		
78	**a** Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		
	b If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?		
	c If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year (see instructions)? If "Yes," attach a statement as described in the instructions.		
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization (see instructions)? If "Yes," enter the name of the organization ▶ _____ and check whether it is ☐ exempt **OR** ☐ nonexempt.		
81	**a** Enter amount of political expenditures, direct or indirect, as described in the instructions ▶		
	b Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		
82	Did your organization receive donated services or the use of materials, equipment or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ▶		
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums (see instructions and Regulations section 1.162-20(c))? If "Yes," enter the total amount spent for this purpose		
84	*Section 501(c)(7) organizations.*—Enter amount of:		
	a Initiation fees and capital contributions included on line 12		
	b Gross receipts, included in line 12, for public use of club facilities (see instructions)		
	c Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion (see instructions)?		
85	*Section 501(c)(12) organizations.*—Enter amount of:		
	a Gross income received from members or shareholders		
	b Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them)		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the States with which a copy of this return is filed ▶ _____		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		
89	The books are in care of ▶ _____ Telephone No. ▶ _____ Located at ▶		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ _____ Signature of officer _____ Date ▶ _____ Title

Paid Preparer's Use Only

Preparer's signature ▶ _____ Date _____ Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed) and address ▶ _____ ZIP code _____

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Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1985 or other tax year beginning ..... 1985, and ending ..... 19 .....

OMB No. 1545-0687

1985

Name of organization

Address (number and street)

City or town, state, and ZIP code

A **Employer identification number** (employees' trust see instruction for Block A)

B Enter unrelated business activity codes from page 10 of instructions

C Check box if address changed . . . . . ▶ ☐ **D** Exempt under section . . . . . ▶ 501 ( ) ( )

E Check type of organization . ▶ ☐ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶

If the unrelated trade or business gross income is $10,000 or less, complete only page 1, Part III on page 2, and sign the return. Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,000.

Taxable Income

1	Unrelated trade or business gross income (state sources ▶)	1
2	Deductions (including net operating loss) (complete Parts I and II instead of lines 1, 2, 3, and 4 if you have gross income over $10,000)	2
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3
4	Specific deduction (see instructions)	4
5	Unrelated business taxable income (subtract line 4 from line 3 or enter amount from line 33, page 2. If line 4 is greater than line 3, enter the lesser of zero or line 3.)	5

Tax Computation

Organizations Taxable as Corporations (See Instructions for Tax Computation)

6 **a** Check if you are a member of a controlled group (see sections 1561 and 1563) ☐

b If checked, see instructions and enter your share of the $25,000 in each taxable income bracket: (i) $ (ii) $ (iii) $ (iv) $

7 Income tax on amount on line 5, above. Check here ▶ ☐ if alternative tax from Schedule D (Form 1120) is used. — 7

Trusts Taxable at Trust Rates (See Instructions for Tax Computation)

8 Enter the tax from the tax rate schedule in the instructions on the amount on line 5 — 8

Total Income Tax

9	**a** Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9a	
	b Other credits (see instructions)	9b	
	c General business credit.— Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 6478	9c	
10	Total (add lines 9a through 9c)		10
11	Subtract line 10 from line 7 or line 8		11
12	Tax from recomputing prior year investment credit (attach Form 4255)		12
13	Minimum tax on tax preference items (Corporations only– see instructions)		13
14	Alternative minimum tax (Trusts only–see instructions)		14
15	Total tax (add lines 11 through 14)		15
16	Credits and payments:		
	a Tax deposited with Form 7004 or Form 2758	16a	
	b Foreign organizations—Tax paid or withheld at the source (see instructions)	16b	
	c Credit from regulated investment companies (attach Form 2439)	16c	
	d Credit for Federal tax on gasoline and special fuels (attach Form 4136)	16d	
	e Other credits and payments (see instructions)	16e	
	f Total credits and payments (add lines 16a through 16e)		16f
17	**TAX DUE** (subtract line 16f from line 15). See instructions for depositary method of payment ▶		17
18	**OVERPAYMENT** (subtract line 15 from line 16f) ▶		18

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer — Date — ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ — Date — Check if self-employed ▶ ☐ — Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ — E.I. No. ▶ — ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of instructions.

Form **990-T** (1985)

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Part I Unrelated Trade or Business Income

1 a Gross receipts or sales ____, b Less returns and allowances ____ Balance ▶	1c			
2 Cost of goods sold and/or operations (Schedule A)	2			
3 Gross profit (subtract line 2 from line 1c)	3			
4 a Capital gain net income (attach separate Schedule D) (see instructions)	4a			
b Net gain or (loss) from Part II, Form 4797 (attached)	4b			
c Capital loss deduction for trusts	4c			
5 Income or (loss) from partnerships (attach statement)	5			
6 Rent income (Schedule C)	6			
7 Unrelated debt-financed income (Schedule E, line 2)	7			
8 Investment income of a section 501(c)(7), (9), (17) or (20) organization (Schedule F)	8			
9 Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9			
10 Exploited exempt activity income (Schedule H)	10			
11 Advertising income (Schedule I, Part III, Column A)	11			
12 Other income (see instructions for line 12—attach schedule)	12			
13 TOTAL—Unrelated trade or business income (add lines 3 through 12)	13			

Part II Deductions Not Taken Elsewhere
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule J)			14		
15 Salaries and wages			15		
16 Repairs (see instructions)			16		
17 Bad debts (see instructions)			17		
18 Interest (attach schedule)			18		
19 Taxes			19		
20 Contributions (see instructions)			20		
21 Depreciation (attach Form 4562)	21				
22 Less depreciation claimed in Schedule A and elsewhere on return	22a		22b		
23 Depletion			23		
24 a Contributions to deferred compensation plans (see instructions)			24a		
b Employee benefit programs (see instructions)			24b		
25 Other deductions (attach schedule)			25		
26 TOTAL DEDUCTIONS (add lines 14 through 25)			26		
27 Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13)			27		
28 Advertising loss (Schedule I, Part III, Column B)			28		
29 Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27)			29		
30 Net operating loss deduction (see instructions)			30		
31 Unrelated business taxable income before specific deduction (subtract line 30 from line 29)			31		
32 Specific deduction (see instructions for line 4 of page 1)			32		
33 Unrelated business taxable income (subtract line 32 from line 31. If line 32 is greater than line 31, enter the lesser of zero or line 31.) Enter here and on page 1, line 5			33		

SCHEDULE A—COST OF GOODS SOLD AND/OR OPERATIONS
(See Instructions for Part I, line 2)

Method of inventory valuation (specify) ▶

1 Inventory at beginning of year	1		
2 Purchases	2		
3 Cost of labor	3		
4 Other costs (attach schedule)	4		
5 TOTAL—Add lines 1 through 4	5		
6 Inventory at end of year	6		
7 Cost of goods sold and/or operations. Subtract line 6 from line 5. (Enter here and on line 2, Part I.)	7		

Part III Statements Regarding Certain Activities and Other Information

	Yes	No
1 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) (see page 9 of the instructions for exceptions and filing requirements for TD F 90-22.1)?		
If "Yes," write in the name of the foreign country ▶ ____		
2 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you had any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		

The books are in care of ▶ Telephone number ▶

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Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1985 or other tax year beginning ..... 1985, and ending ..... 19 .....

OMB No. 1545-0687

1985

Name of organization

Address (number and street)

City or town, state, and ZIP code

A **Employer identification number** (employees' trust see instruction for Block A)

B Enter unrelated business activity codes from page 10 of instructions

C Check box if address changed . . . . . ▶ ☐ **D** Exempt under section . . . . . ▶ 501 ( ) ( )

E Check type of organization . . ▶ ☐ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶

If the unrelated trade or business gross income is $10,000 or less, complete only page 1, Part III on page 2, and sign the return. Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,000.

Taxable Income

1	Unrelated trade or business gross income (state sources ▶ .....)	1	
2	Deductions (including net operating loss) (complete Parts I and II instead of lines 1, 2, 3, and 4 if you have gross income over $10,000)	2	
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3	
4	Specific deduction (see instructions)	4	
5	Unrelated business taxable income (subtract line 4 from line 3 or enter amount from line 33, page 2. If line 4 is greater than line 3, enter the lesser of zero or line 3.)	5	

Tax Computation

Organizations Taxable as Corporations (See Instructions for Tax Computation)

6 **a** Check if you are a member of a controlled group (see sections 1561 and 1563) ☐

b If checked, see instructions and enter your share of the $25,000 in each taxable income bracket:
(i) $ ..... (ii) $ ..... (iii) $ ..... (iv) $ .....

7 Income tax on amount on line 5, above. Check here ▶ ☐ if alternative tax from Schedule D (Form 1120) is used 7

Trusts Taxable at Trust Rates (See Instructions for Tax Computation)

8 Enter the tax from the tax rate schedule in the instructions on the amount on line 5 8

Total Income Tax

9	**a** Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9a		
	b Other credits (see instructions)	9b		
	c General business credit.— Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 6478	9c		
10	Total (add lines 9a through 9c)			10
11	Subtract line 10 from line 7 or line 8			11
12	Tax from recomputing prior year investment credit (attach Form 4255)			12
13	Minimum tax on tax preference items (Corporations only– see instructions)			13
14	Alternative minimum tax (Trusts only–see instructions)			14
15	Total tax (add lines 11 through 14)			15
16	Credits and payments:			
	a Tax deposited with Form 7004 or Form 2758	16a		
	b Foreign organizations—Tax paid or withheld at the source (see instructions)	16b		
	c Credit from regulated investment companies (attach Form 2439)	16c		
	d Credit for Federal tax on gasoline and special fuels (attach Form 4136)	16d		
	e Other credits and payments (see instructions)	16e		
	f Total credits and payments (add lines 16a through 16e)			16f
17	**TAX DUE** (subtract line 16f from line 15). See instructions for depositary method of payment ▶			17
18	**OVERPAYMENT** (subtract line 15 from line 16f) ▶			18

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

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Part I Unrelated Trade or Business Income

1 a Gross receipts or sales ____, b Less returns and allowances ____ Balance ▶	1c		
2 Cost of goods sold and/or operations (Schedule A)	2		
3 Gross profit (subtract line 2 from line 1c)	3		
4 a Capital gain net income (attach separate Schedule D) (see instructions)	4a		
b Net gain or (loss) from Part II, Form 4797 (attached)	4b		
c Capital loss deduction for trusts	4c		
5 Income or (loss) from partnerships (attach statement)	5		
6 Rent income (Schedule C)	6		
7 Unrelated debt-financed income (Schedule E, line 2)	7		
8 Investment income of a section 501(c)(7), (9), (17) or (20) organization (Schedule F)	8		
9 Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9		
10 Exploited exempt activity income (Schedule H)	10		
11 Advertising income (Schedule I, Part III, Column A)	11		
12 Other income (see instructions for line 12—attach schedule)	12		
13 TOTAL—Unrelated trade or business income (add lines 3 through 12)	13		

Part II Deductions Not Taken Elsewhere
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule J)			14	
15 Salaries and wages			15	
16 Repairs (see instructions)			16	
17 Bad debts (see instructions)			17	
18 Interest (attach schedule)			18	
19 Taxes			19	
20 Contributions (see instructions)			20	
21 Depreciation (attach Form 4562)	21			
22 Less depreciation claimed in Schedule A and elsewhere on return	22a		22b	
23 Depletion			23	
24 a Contributions to deferred compensation plans (see instructions)			24a	
b Employee benefit programs (see instructions)			24b	
25 Other deductions (attach schedule)			25	
26 TOTAL DEDUCTIONS (add lines 14 through 25)			26	
27 Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13)			27	
28 Advertising loss (Schedule I, Part III, Column B)			28	
29 Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27)			29	
30 Net operating loss deduction (see instructions)			30	
31 Unrelated business taxable income before specific deduction (subtract line 30 from line 29)			31	
32 Specific deduction (see instructions for line 4 of page 1)			32	
33 Unrelated business taxable income (subtract line 32 from line 31. If line 32 is greater than line 31, enter the lesser of zero or line 31.) Enter here and on page 1, line 5			33	

SCHEDULE A—COST OF GOODS SOLD AND/OR OPERATIONS
(See Instructions for Part I, line 2)

Method of inventory valuation (specify) ▶

1 Inventory at beginning of year	1		
2 Purchases	2		
3 Cost of labor	3		
4 Other costs (attach schedule)	4		
5 TOTAL—Add lines 1 through 4	5		
6 Inventory at end of year	6		
7 Cost of goods sold and/or operations. Subtract line 6 from line 5. (Enter here and on line 2, Part I.)	7		

Part III Statements Regarding Certain Activities and Other Information

	Yes	No
1 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) (see page 9 of the instructions for exceptions and filing requirements for TD F 90-22.1)?		
If "Yes," write in the name of the foreign country ▶		
2 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you had any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		

The books are in care of ▶ Telephone number ▶

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SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY

(See Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 x column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2 . . . . . .

SCHEDULE E--UNRELATED DEBT-FINANCED INCOME (See Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col. 4 is of col. 5	7. Gross income reportable (Column 2 x column 6)	8. Allocable deductions (Column 6 x total of columns 3(a) and 3(b))	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, Part I, page 2) . . . . . .

3 Total dividends-received deductions included in column 8 . . . . . .

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7), (9), (17) OR (20) ORGANIZATION

(See Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)

Total (enter here and on line 8, Part I, page 2) . . . . . .

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS

(See Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col. (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 x column 4(c) or column 5(c))	7. Allowable deductions (Column 3 x column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			

Total (enter here and on line 9, Part I, page 2) . . . . . .

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SCHEDULE H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME

(See Instructions for Part I, line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5, but not more than column 4)	8. Net income includible (Column 4 minus column 7)
Total (enter here and on line 10, Part I, page 2)							

SCHEDULE I—ADVERTISING INCOME AND ADVERTISING LOSS (See Instructions for Part I, line 11)

Part I **Income from periodicals reported on consolidated basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6, and 7. If gain, complete cols. 5, 6, and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Totals						

Part II **Income from periodicals reported on a separate basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6, and 7. If gain, complete cols. 5, 6, and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.

Part III **Column A—Advertising Income**

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4 or 7, Part I, and amounts listed in cols. 4 and 7, Part II
Enter total here and on line 11, Part I, page 2	

Part III **Column B—Advertising Loss**

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4, Part I, and amounts listed in column 4, Part II
Enter total here and on line 28, Part II, page 2	

SCHEDULE J—COMPENSATION OF OFFICERS, DIRECTORS, AND TRUSTEES

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
		%	
		%	
Total (enter here and on line 14, Part II, page 2)			

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SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY

(See Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 x column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2 . . . . . .

SCHEDULE E—UNRELATED DEBT-FINANCED INCOME (See Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col. 4 is of col. 5	7. Gross income reportable (Column 2 x column 6)	8. Allocable deductions (Column 6 x total of columns 3(a) and 3(b))	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, Part I, page 2) . . . . . .

3 Total dividends-received deductions included in column 8 . . . . . .

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7), (9), (17) OR (20) ORGANIZATION

(See Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)

Total (enter here and on line 8, Part I, page 2) . . . . . .

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS

(See Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col. (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 x column 4(c) or column 5(c))	7. Allowable deductions (Column 3 x column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			

Total (enter here and on line 9, Part I, page 2) . . . . . .

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SCHEDULE H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME

(See Instructions for Part I, line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5, but not more than column 4)	8. Net income includible (Column 4 minus column 7)

Total (enter here and on line 10, Part I, page 2)

SCHEDULE I—ADVERTISING INCOME AND ADVERTISING LOSS (See Instructions for Part I, line 11)

Part I Income from periodicals reported on consolidated basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6 and 7. If gain, complete cols. 5, 6 and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Totals						

Part II Income from periodicals reported on a separate basis

Part III Column A—Advertising Income

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4 or 7, Part I, and amounts listed in cols. 4 and 7, Part II
Enter total here and on line 11, Part I, page 2	

Part III Column B—Advertising Loss

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4, Part I, and amounts listed in column 4, Part II
Enter total here and on line 28, Part II, page 2	

SCHEDULE J—COMPENSATION OF OFFICERS, DIRECTORS, AND TRUSTEES

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
		%	
		%	

Total (enter here and on line 14, Part II, page 2)

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Example.—On March 10, 1984, an exempt educational corporation purchased an office building for $600,000, using $290,000 of borrowed funds. The only adjustment to basis was $40,000 for depreciation (election of straight line under ACRS over the 15-year recovery period for real property). The corporation sold the building on March 31, 1985, for $640,000. At the date of sale, the adjusted basis of the building was $560,000 ($600,000 less $40,000) and the indebtedness remained at $290,000. The average adjusted basis would be $580,000 (($600,000 + $560,000) ÷ 2). The debt/basis percentage would be 50% ($290,000 ÷ $580,000).

The taxable gain is $40,000 (50% × ($640,000 – $560,000)). This is a long-term capital gain. A corporation should enter the gain on line 6, Part II, Schedule D (Form 1120); a trust should use line 7, Part II, Schedule D (Form 1041). Both should attach a statement to the return showing how the gain was figured.

If debt-financed property is depreciable or depletable property, the provisions of sections 1245, 1250, 1252, 1254, and 1255 must first be considered.

Line 4b.—Net gain or (loss).—Show gains and losses on other than capital assets on Form 4797. Enter on this line the net gain or (loss) from line 17, Part II, Form 4797.

An exempt organization using Form 4797 to report ordinary gain on sections 1245, 1250, 1252, 1254, and 1255 property will include only depreciation, amortization or depletion allowed or allowable in figuring unrelated business taxable income or taxable income of the organization (or a predecessor organization) for a period when it was not exempt.

Line 4c.—Capital loss deduction for trusts.—If a trust has a net capital loss, it is subject to the limitations in Schedule D (Form 1041). Enter on this line the (loss) figured on Schedule D (Form 1041).

Line 5.—Income or (loss) from partnerships.—If the organization is a partner in a partnership carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership gross income from the unrelated trade or business, and its share of the partnership deductions directly connected with the unrelated gross income. Figure the gross income and deductions of the partnership in the same way you figure unrelated trade or business income the organization earns directly. See **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), and section 465 for limitations on losses for certain activities.

Line 6.—Rent income.—Sections 501(c)(7) and (9) organizations enter gross rents on this line, and applicable expenses on lines 14 through 25. All rents, except those determined to be exempt function income, must be included.

NOTE: *Sections 501(c)(17) or (20) organizations should complete Schedule C as described below only for rents received or accrued before 1986. If these organizations received or accrued rents after 1985, they should enter the total of post 1985 gross rents and the Schedule C amount on line 6. The expenses applicable to the post 1985 rents should be entered on lines 14 through 25.*

All organizations other than sections 501(c)(7) and (9) organizations should complete Schedule C on page 3 of the return. For organizations other than sections 501(c)(7) and (9) organizations, only the following rents are taxable on line 6:

(1) Rents from personal property leased with real property, if the rents from the personal property are more than 10% of the total rents received or accrued under the lease.

(2) Rents from real and personal property if:

(a) More than 50% of the total rents received or accrued under the lease are for personal property; or

(b) The amount of the rent depends on the income or profits derived by any person from the property leased (except an amount based on a fixed percentage of receipts or sales).

A redetermination of the percentage of rent for personal property is required when either:

(1) There is an increase of 100% or more by the placing of additional or substitute personal property in service; or

(2) There is a modification of the lease which changes the rent charged.

Rents from both real and personal property not taxable on line 6 may be taxable on line 9 if the income is from a controlled organization or on line 7 if the property is debt-financed. Taxability of the rents must be considered in that order; that is, rents not taxed on line 6 may be taxed on line 9; and rents not taxed on line 6 or line 9 may be taxed on line 7.

Line 7.—Unrelated debt-financed income.—All organizations except sections 501(c)(7) and (9) organizations should complete Schedule E on page 3 of the return. Enter income or (loss) from Schedule E on this line.

NOTE: *Sections 501(c)(17) and (20) organizations should complete Schedule E only for unrelated debt-financed income received or accrued before 1986. These organizations should complete Schedule F for unrelated debt-financed income received or accrued after 1985. See the instructions for line 8.*

When debt-financed property is held for exempt purposes and other purposes, the organization must allocate the basis, indebtedness, income and deductions among the purposes for which the property is held. Do not include in Schedule E amounts allocated to exempt purposes.

Schedule E.—

Column 1.—Description of debt-financed property.—Any property held to produce income is debt-financed property if, at any time during the tax year, there was acquisition indebtedness outstanding for the property. When any property held for the production of income by an organization is disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding for that property at any time during the 12-month period before the date of disposition, the property is debt-financed property. Securities purchased on margin are considered debt-financed property if the liability incurred in purchasing them remains outstanding.

Acquisition indebtedness is the outstanding amount of principal indebtedness incurred:

(1) By the organization to acquire or improve the property;

(2) Before the property was acquired or improved, if the indebtedness was incurred because of the acquisition or improvement of the property; or

(3) After the property was acquired or improved, if the indebtedness was incurred because of the acquisition or improvement, and the organization could reasonably foresee the need to incur the indebtedness at the time the property was acquired or improved.

With certain exceptions, acquisition indebtedness does not include indebtedness incurred by:

- a qualified (section 401) trust in acquiring or improving real property. See section 514(c)(9) for more information.
- a charitable educational organization (section 170(b)(1)(A)(ii)) and its affiliated support organizations (section 509 (a)) for indebtedness incurred after July 18, 1984.

See Publication 598 for exceptions to the rules for debt-financed property.

Column 4.—Average acquisition indebtedness for any tax year is the average amount of the outstanding principal indebtedness during the part of the tax year the property is held by the organization. To figure the average amount of acquisition indebtedness, determine the amount of the outstanding principal indebtedness on the first day of each calendar month during that part of the tax year that the organization holds the property. Add these amounts together, and divide the result by the total number of months during the tax year that the organization held the property. See section 514(a) and the related regulations for property acquired for an indeterminate price.

Column 5.—Determine the adjusted basis of property under section 1011. The determination of the adjusted basis of debt-financed property is not affected by the fact the organization was exempt from tax for earlier tax years. Adjustment must be made under section 1011 for the entire period since the acquisition of the property. Adjust the basis of the property by the depreciation for all earlier tax years, whether or not the organization was exempt from tax for any of these years. Similarly, for tax years during which the organization is subject to tax on unrelated business taxable income, adjust the basis of the property by the entire amount of allowable depreciation, even though only a part of the deduction for depreciation is taken into account in figuring unrelated business taxable income.

If no adjustments to the basis of property under section 1011 apply, the basis of the property is cost.

The average adjusted basis for debt-financed property is the average of the adjusted basis of the property on the first and last days during the tax year that the organization holds the property.

See section 514(d) and the related regulations for the basis of debt-financed property acquired in a complete or partial liquidation of a corporation in exchange for its stock.

Column 7.—The amount of income from debt-financed property included in unrelated trade or business income is figured by multiplying the property's gross income by the percentage obtained from dividing the property's average acquisition

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indebtedness for the tax year by the property's average adjusted basis during the period it is held in the tax year. This percentage cannot be more than 100%.

Column 8.—For each debt-financed property, you may deduct the same percentage (as determined above) of the total deductions that are directly connected to the income (including the dividends-received deductions allowed by sections 243, 244, and 245). However, if the debt-financed property is depreciable property, figure the depreciation deduction by the straight line method only, and enter the amount in column 3(a).

For each debt-financed property, attach schedules showing separately a computation of the depreciation deduction (if any) reported in column 3(a) of Schedule E, and a breakdown of the expenses included in column 3(b). Corporations owning stock that is unrelated debt-financed property should refer to Schedule C (Dividends and Special Deductions) of **Form 1120,** U.S. Corporation Income Tax Return, to determine the dividends-received deductions to include in column 3(b).

Enter on line 3 of Schedule E the total dividends-received deductions (after reduction, when applicable, by the debt-basis percentage(s)) included in column 8.

Column 9.—Subtract the allowable deductions (including the dividends-received deductions) from the reportable gross income for each debt-financed property. Combine the amounts in column 9. Enter the total on line 2, Schedule E, and line 7, page 2, Part I, of the return.

When a capital loss for the tax year may be carried back or carried over to another tax year, the amount to carry over or back is figured by using the percentage determined above. However, in the year to which the amounts are carried, do not apply the debt-basis percentage to determine the deduction for that year.

Income is not unrelated debt-financed income if the income is otherwise included in unrelated business taxable income. For example, do not include rents from personal property shown in Schedule C, or rents and interest from controlled organizations shown in Schedule G.

Example 1.—An exempt organization owns a 4-story building. Two floors are used for exempt purposes and two floors are rented (as an unrelated trade or business) for $10,000. Expenses are $1,000 for depreciation and $5,000 for other expenses for the entire building. The average acquisition indebtedness is $6,000, and the average adjusted basis is $10,000. Both apply to the entire building.

To complete Schedule E for this example, enter $10,000 in column 2 (since the entire amount is for debt-financed property), $500 and $2,500 in columns 3(a) and 3(b) respectively (since only one-half of the expenses are for the debt-financed property), $3,000 and $5,000 in columns 4 and 5 respectively (since only one-half of the acquisition indebtedness and the average adjusted basis are for debt-financed property), 60% in column 6, $6,000 in column 7, $1,800 in column 8 and $4,200 in column 9.

Example 2.—Assume the same facts as in Example 1, except the entire building is rented out as an unrelated trade or business for $20,000. To complete Schedule E for this example, enter $20,000 in column 2, $1,000 and $5,000 in columns 3(a) and 3(b) respectively (since the entire amount is for debt-financed property), $6,000 and $10,000 in columns 4 and 5 (since the entire amount is for debt-financed property), 60% in column 6, $12,000 in column 7, $3,600 in column 8, and $8,400 in column 9.

Line 8.—Investment income of a section 501(c)(7), (9), (17) or (20) organization.— All sections 501(c)(7) and (9) organizations figure their 1985 investment income using Schedule F. Sections 501(c)(17) and (20) organizations using a calendar tax year should not use Schedule F to figure their 1985 investment income. Sections 501(c)(17) and (20) organizations using a fiscal tax year should use Schedule F to figure their 1985 investment income only for amounts received or accrued after December 31, 1985. For more information, see section 511 of Public Law No. 98-369. Do not include interest on State and local governmental obligations described in section 103(a).

Investment income includes all income from debt-financed property whether or not the income is subject to tax by section 514.

Deduct only those expenses that are directly connected to the net investment income. Allocate deductions where necessary between exempt activities and other activities. The organization may not take the dividends-received deductions in figuring net investment income because they are not treated as directly connected with the production of gross income.

Sections 501(c)(7), (9), (17) and (20) organizations may set aside income that would otherwise be taxable under section 512(a)(3). However, income derived from an unrelated trade or business may not be set aside and thus cannot be exempt function income. In addition, any income set aside and later expended for other purposes must be included in income.

Sections 501(c)(7), (9), (17) and (20) organizations will not be taxed on income set aside for:

(1) Religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

(2) The payment of life, sick, accident or other benefits by a section 501(c)(9), (17) or (20) organization. (For contributions paid or accrued after December 31, 1985, the amount allowed as a set-aside may not exceed a limit determined using section 419A(c). See sections 419A and 512(a)(3)(E) for details.);

(3) Reasonable administration costs directly connected with (1) and (2).

Report set-asides in column 5 of Schedule F.

Amounts set aside are not deductible under section 170 or any other section of the Code.

The organization may elect to treat income set aside by the date for filing the return, including any extensions of time, as income set aside in the tax year for which the return is filed. The income set aside must have been includible in gross income for that earlier tax year.

Although set aside income may be accumulated, any accumulation that is unreasonable will be evidence that the set-aside was not for the purposes described above.

Net investment income set aside must be specifically earmarked as such, or placed in a separate account or fund (except for an employees' association which by the terms of its governing instrument must use its net investment income for the purposes stated in (2) above).

These rules apply to a corporation described in section 501(c)(2) (title holding company) whose income is payable to an organization described in section 501(c)(7), (9), (17) or (20) if it files a consolidated return with the section 501(c)(7), (9), (17) or (20) organization.

If a section 501(c)(7), (9), (17) or (20) organization (or a title holding company described above) sells property that was used for the exempt function of the section 501(c)(7), (9), (17) or (20) organization, and buys other property used for the organization's exempt function within a period beginning one year before the date of the sale, and ending 3 years after the date of the sale, the gain from the sale will be recognized only to the extent that the sales price of the old property is more than the cost of the other property. The other property need not be similar in type or use to the old property. The organization must notify the IRS of the sale by a statement attached to the return, or other written notice.

For computing the gain on the sale of depreciable property, see the instructions for column 5 of Schedule E to determine the adjusted basis of the property.

Line 9.—Interest, annuities, royalties and rents from controlled organizations.— Interest, annuities, royalties and rents received by a controlling organization from a controlled organization are subject to tax, whether or not the activity conducted by the controlling organization to earn these amounts is a trade or business or is regularly carried on.

Control means (a) for a stock corporation, the ownership of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock of the corporation, or (b) at least 80% of the directors or trustees of a non-stock organization are either representatives of or directly or indirectly controlled by an exempt organization.

Controlling organizations complete Schedule G as follows:

Column 2.—Enter total gross interest, annuities, royalties and rents from each controlled organization during the year.

Column 3.—Enter the total deductions directly connected with the column 2 income for each controlled organization.

Column 4.—If the controlled organization is exempt from tax under section 501(a), enter in column 4(c) the percentage that is figured by dividing the unrelated business taxable income of the controlled organization by the greater of:

(1) The taxable income of the controlled organization (figured as though it were not exempt from tax under section 501(a)); or

(2) Its unrelated business taxable income;

both figured without any amount paid directly or indirectly to the controlling organization.

Column 5.—If the controlled organization is not exempt from tax under section 501(a), enter in column 5(c) the percentage that is figured by dividing the excess taxable income

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(defined below) of the controlled organization by the greater of:

(1) The taxable income of the contrtolled organization, or

(2) Its excess taxable income,

both figured without any amount paid directly or inderectly to the controlling organization.

Excess taxable income is the amount by which the controlled organization's taxable income is more than the taxable income that, if earned directly by the controlling organization, would not be unrelated business taxable income.

Enter total income from Schedule G on line 9, page 2 of the return.

Line 10.—Exploited exempt activity income other than advertising income.—A section 501(c)(7) or (9) organization does not report exploited exempt activity income on this line. Report it instead on the line for the particular kind of income.

Exempt organizations (other than section 501(c)(7) or (9) organizations) that have gross income from an unrelated trade or business activity that exploits an exempt activity (other than advertising income) should complete Schedule H. See Regulations section 1.513-1(d)(4)(iv) for a definition of exploited exempt activity.

An organization may take all deductions directly connected with the gross income from the unrelated trade or business activity. In addition, the organization may take into account all deductible items attributable to the exploited exempt activity, with the following limitations:

(1) Reduce the deductible items of the exempt activity by the income from the activity;

(2) Limit the net amount of deductible items arrived at in (1) above for the exempt activity to the net unrelated business income from the exploited exempt activity;

(3) Exclude income and expenses of the exempt activity in figuring a loss carryover or carryback from the unrelated trade or business activity exploiting the exempt activity; and

(4) Exclude deductible items of the exempt activity in figuring unrelated trade or business income from an activity that is not exploiting the same exempt activity.

Therefore, the net includible exploited exempt activity income is the unrelated business taxable income minus the excess of the exempt activity expenses over the exempt activity income. If the income from the exempt activity exceeds the exempt activity expenses, do not add that profit to the net income from the unrelated business activity. If two or more unrelated trade or business activities exploit the same exempt activity, treat those activities as one on Schedule H. Attach a separate schedule showing the computation.

Line 11.—Advertising income.—A section 501(c)(7) or (9) organization does not report advertising income on line 11. Report it instead on line 1.

An exempt organization (other than a section 501(c)(7) or (9) organization) that earned gross income from the sale of advertising in an exempt organization periodical should complete Schedule I. The rules in the instructions for line 10 apply. The part of the advertising income taken into account is determined as follows:

(1) If direct advertising costs (expenses directly connected with advertising income) are more than advertising income (unrelated business income), deduct that excess in figuring unrelated business taxable income from any other unrelated trade or business activity carried on by the organization.

(2) If advertising income is more than direct advertising costs, and circulation income (exempt activity income) is more than readership costs (exempt activity expenses), then unrelated business taxable income is the excess of advertising income over direct advertising costs. However, if readership costs are more than circulation income, then unrelated business taxable income is the excess of total income (advertising income and circulation income) over total periodical costs (direct advertising costs and readership costs). However, following instruction (2) for line 10, if the readership costs are more than the circulation income, and the net readership costs are more than the excess of advertising income over direct advertising costs, no loss is allowable. See Regulations section 1.512(a)-1.

For allocating membership receipts to circulation income, see Rev. Rul. 81-101, 1981-1 C.B. 352.

If an organization publishes two or more periodicals, it may elect to treat the gross income for all (but not less than all) periodicals, and deductions directly connected with those periodicals (including excess readership costs), as if the periodicals were one to determine its unrelated business taxable income. This rule only applies to periodicals published for the production of income. A periodical is considered published for the production of income if gross advertising income of the periodical is at least 25% of the readership costs, and the periodical is an activity engaged in for profit.

Enter the total income from Schedule I on line 11, or if a loss, enter the amount on line 28.

Line 12.—Other income.—Include on line 12 any item of unrelated business income that is not reportable elsewhere on the return.

Organizations described in section 501(c)(19) will enter the net income from insurance business that was not properly set aside. These organizations may set aside income from payments received for life, sick, accident or health insurance for members of the organization or their dependents:

(1) To provide for the payment of insurance benefits; or

(2) For a purpose specified in section 170(c)(4) (religious, charitable, scientific, literary, educational, etc.); or

(3) For administrative costs directly connected with benefits described in (1) and (2).

Amounts set aside and used for purposes other than those in (1), (2) or (3) must be included in unrelated business taxable income for the tax year if they were previously excluded from taxable income.

Any amount spent for a purpose described in section 170(c)(4) will be first considered as paid from funds earned by the organization from insurance activities if the income is not used for the insurance activities.

Expenditures for lobbying are not considered section 170(c)(4) expenses.

Part II—Deductions
(Lines 14-32)

Part II must be completed by all organizations with unrelated trade or business gross income over $10,000. Only expenses directly connected with unrelated trade or business income (except contributions) may be deducted on these lines. Contributions may be deducted, whether or not directly connected. Other than advertising losses entered on line 28, do not include in Part II any expenses that are reported in Schedules A through I. For example, officers' compensation allocable to advertising income is reported in Schedule I only, and should not be included on line 14.

Limitations on deductions.

(1) Transactions between related taxpayers. See section 267 for limitation on deductions for unpaid expenses and interest.

(2) Tax preference items. Corporations may be required under section 291 to reduce the following tax preference items by 20%:

(a) Depletion of iron ore and coal (including lignite)(the reduction is 15%);

(b) Section 1250 capital gain (the reduction is 15% for sales or dispositions before January 1, 1985, and 20% for sales or dispositions after December 31, 1984);

(c) Amortizable basis of pollution control facilities (the reduction is 15% for property placed in service before January 1, 1985);

(d) Intangible drilling, and mineral exploration and development costs; and

(e) Bad debt deductions for financial institutions.

For more information see **Publication 542,** Tax Information on Corporations.

(3) Real property construction period interest and taxes. For tax years beginning after December 31, 1982, for construction started after that date, no deduction (except as allowed under section 189) is allowed for real property construction period interest and taxes.

Line 14.—Compensation of officers, directors, and trustees.—Complete columns 1 through 4, Schedule J, for those officers, directors and trustees whose salaries or other compensation are allocable to unrelated business gross income. Do not include in column 4 compensation that is deducted in Schedules A through I of the return.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as salaries and wages the amounts you deducted for depreciation and other deductions.*

Line 16.—Repairs.—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value or appreciably prolong the life of the property.

Line 17.—Bad debts.— You may treat bad debts in either of two ways: (a) as a deduction for specific debts that become worthless in whole or in part; or (b) as a deduction for a reasonable reserve for bad debts. See section 166.

If you use the reserve method, attach a schedule for 1985 that separately lists:

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(1) Trade notes and accounts receivable outstanding at the end of the year;

(2) Sales on account;

(3) The amount added to the reserve-current year's provision;

(4) The amount added to the reserve-recoveries;

(5) The amount charged against the reserve; and

(6) The reserve for bad debts at the end of the year.

You may choose either method on your first return in which you take a bad debt deduction. You must use that method for following years unless you receive permission to change. However, if you are changing from the specific charge-off method (section 166(a)) to the reserve method (section 166(c)), see Rev. Proc. 85-8, 1985-6 I.R.B. 41. If you want to change your method of treating bad debts, you must apply on Form 3115.

Line 18.—Interest.—Attach a separate schedule listing the interest being claimed on this line. Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest income is wholly exempt from income tax.

See section 189 for the limitation on the deduction for real property construction period interest.

See section 267 for the limitation on deductions for unpaid expenses and interest in transactions between related taxpayers.

Generally, a cash basis taxpayer who prepaid interest for any period after 1985, can only deduct the amount for 1985. See **Publication 545,** Interest Expense.

Line 19.—Taxes.—Enter taxes paid or accrued during the year. Do not include Federal income taxes, excise taxes imposed by Chapters 41, 42 or 43, foreign or U.S. possession income taxes if a foreign or possession income tax credit is claimed, or taxes not imposed on your organization. See section 164(d) for the division of real estate taxes between the buyer and seller. Also, see section 189 for the limitation on the deduction for real property construction period taxes.

Line 20.—Contributions.—If a contribution is in property other than money, attach a schedule describing the kind of property contributed and the method used in determining its fair market value.

If the organization made a qualified conservation contribution under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

For a special rule for certain contributions of ordinary income and capital gain property, see section 170(e).

If a charitable contribution deduction is taken for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

(1) Corporations.—If the organization is taxable at corporate rates, enter contributions or gifts actually paid to another organization within the tax year for the use of charitable and governmental organizations described in section 170(c). Also enter any unused contributions carried over from earlier years.

The total amount claimed may not exceed 10% of the unrelated business taxable income figured without any deduction for contributions but taking into account:

(a) The deduction for dividends received on unrelated debt-financed income (Schedule E); and

(b) Any net operating loss carryback to the tax year under section 172; and

(c) Any capital loss carryback to the tax year under section 1212(a)(1).

Therefore, if the organization carries back a 1985 net operating loss or capital loss to the 1982 tax year, the maximum allowable deduction for contributions in 1982 must be refigured at that time.

Charitable contributions over the 10% limitation may not be deducted for the tax year, but may be carried over to the next 5 tax years. A contribution carryover is not allowed if it increases a net operating loss carryover. See section 170(d)(2)(B).

This deduction for contributions will be allowed whether or not directly connected with the carrying on of a trade or business. Organizations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. A declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year, and a copy of the resolution must both be attached to the return.

(2) Trusts.—Organizations taxable at trust rates under section 1(e), enter charitable contributions or gifts actually paid to another organization within the tax year for the use of a charitable or governmental organization described in section 170(c).

In general, the amount claimed:

(a) For contributions to organizations described in section 170(b)(1)(A) may not be more than 50% of the unrelated business taxable income figured without this deduction; also,

(b) For contributions to other organizations may not be more than the smaller of:

(i) 30% of unrelated business taxable income figured without this deduction; or

(ii) the amount by which 50% of the unrelated business taxable income is more than the contributions allowed in (a) above.

Note: *Do not deduct as a business expense, contributions not allowable in whole or in part because of the limitations.*

Line 21.—Depreciation.—See the instructions for **Form 4562**, Depreciation and Amortization. Enter the total depreciation from Form 4562 on line 21 and attach the form to your return.

Note: *In figuring depreciation for Form 990-T, the organization generally must use the accelerated cost recovery system (ACRS) to depreciate any assets placed in service after December 31, 1980, even if it uses another method of depreciation for the same assets on* ***Form 990*** *or* ***Form 990-PF.*** *However, the straight line method of depreciation must be used for debt-financed property, the income and expenses of which are reportable in Schedule E.*

Line 23.—Depletion.—See sections 613 and 613A for percentage depletion rates for natural deposits. Attach **Form T (Timber),** Forest Industries Schedules, if a deduction is claimed for depletion of timber.

Line 24a.—Contributions to deferred compensation plans.—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year. Section 6652(f) imposes a penalty for late filing of these forms.

The forms required to be filed are:

Form 5500.—For each plan with 100 or more participants.

Form 5500-C or 5500-R (whichever applies).—For each plan with fewer than 100 participants.

Line 24b.—Employee benefit programs.—Enter your contributions to employee benefit programs (e.g., insurance, health and welfare programs) that are not an incidental part of a deferred compensation plan included on line 24a.

Line 25.—Other deductions.—Enter on this line the deduction taken for amortization (see Form 4562) as well as other authorized deductions for which no space is provided on the return. Attach a separate schedule listing the deductions claimed on this line. Deduct only items directly connected with the unrelated trade or business for which income is reported on page 2 of the return.

Line 30.—Net operating loss deduction.—The "net operating loss deduction" is the amount of the net operating loss carryovers and carrybacks that can be deducted in the tax year.

An organization may have available a net operating loss deduction derived from its unrelated business taxable income. The amount of a net operating loss carryback or carryover is determined under section 172. See Regulations section 1.512(b)-1(e).

Line 32.—Specific deduction.—See instructions for page 1, line 4, on page 2 of these instructions.

Part III—Statements Regarding Certain Activities and Other Information

Before signing and dating the return, be sure to answer the questions on page 2.

Question 1.—Check the "Yes," box if:

(1) At any time during the year the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) and:

(a) The combined value of the accounts was more than $5,000; and

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(b) The accounts were NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) The organization owns more than 50% of the stock in a corporation that would answer the question "Yes" based on item (1) above.

See **TD F 90-22.1**, Report of Foreign Bank and Financial Accounts, to determine if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). The organization can get TD F 90-22.1 from many IRS offices. If the organization is required to file this form, do so by June 30, 1986, with the Department of the Treasury, at the address shown on the form. TD F 90-22.1 is not a tax return, so do not file it with the IRS or attach it to Form 990-T.

Also, if "Yes" is checked to Question 1, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Question 2.—Check the "Yes" box if the organization was ever a grantor of, or transferor to, a foreign trust that existed during this tax year.

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Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to three codes for the principal activities. List first the largest in terms of unrelated income, then the next largest, etc.)

AGRICULTURE, FORESTRY, AND FISHING

Code

0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

MINING

Metal mining:

1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.

Oil and gas extraction:

1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.

Nonmetallic minerals (except fuels) mining:

1430 Dimension, crushed and broken stone; sand and gravel.
1498 Other nonmetallic minerals, except fuels.

CONSTRUCTION

General building contractors and operative builders:

1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.

Special trade contractors:

1711 Plumbing, heating, and air conditioning.
1731 Electrical work.
1798 Other special trade contractors.

MANUFACTURING

Food and kindred products:

2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionary products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks and flavorings.
2096 Other food and kindred products.
2100 Tobacco manufactures.

Textile mill products:

2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.

Apparel and other textile products:

2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2388 Hats, caps, millinery, fur goods, and other apparel and accessories.
2390 Misc. fabricated textile products.

Lumber and wood products, except furniture:

2415 Logging camps and logging contractors, sawmills, and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products including wood buildings and mobile homes.
2500 Furniture and fixtures.

Paper and allied products:

2625 Pulp, paper, and board mills.
2699 Other paper products.

Printing, publishing, and allied industries:

2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and misc. publishing.
2799 Commercial and other printing, and printing trade services.

Chemicals and allied products:

2815 Industrial chemicals, plastics materials and synthetics.
2830 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.

Petroleum refining and related industries (including those integrated with extraction):

2910 Petroleum refining (including those integrated with extraction).
2998 Other petroleum and coal products.

Rubber and misc. plastics products:

3050 Rubber products; plastics footwear, hose and belting.
3070 Misc. plastics products.

Leather and leather products:

3140 Footwear, except rubber.
3198 Other leather and leather products.

Stone, clay, glass, and concrete products:

3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.

Primary metal industries:

3370 Ferrous metal industries, misc. primary metal products.
3380 Nonferrous metal industries.

Code

Fabricated metal products, except machinery and transportation equipment:

3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and allied services.
3480 Ordnance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.

Machinery, except electrical:

3520 Farm machinery.
3530 Construction, mining and materials handling machinery and equipment.
3540 Metalworking machinery.
3550 Special industry machinery, except metalworking machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Engines and turbines, service industry machinery, and other machinery, except electrical.

Electrical and electronic machinery, equipment, and supplies:

3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electric equipment.

Transportation equipment:

3710 Motor vehicles and equipment.
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing.
3798 Other transportation equipment.

Measuring and controlling instruments; photographic and medical goods, watches and clocks:

3815 Scientific instruments and measuring devices, watches and clocks.
3845 Optical, medical, and ophthalmic goods.
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, AND SANITARY SERVICES

Transportation:

4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking & warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Other transportation services.

Communication:

4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.

Electric, gas, and sanitary services:

4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services.
4990 Water supply and other sanitary services.

WHOLESALE TRADE

Durable goods:

5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreational, photographic, hobby goods, toys, and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods.
5070 Hardware, plumbing and heating equipment.
5080 Machinery, equipment, and supplies.
5098 Other durable goods.

Nondurable goods:

5110 Paper and paper products.
5129 Drugs, drug proprietaries, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5147 Meats and meat products.
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

RETAIL TRADE

Building materials, hardware, garden supply, and mobile home dealers:

5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.
5300 General merchandise stores.
5410 Grocery stores.
5490 Other food stores.

Code

Automotive dealers and service stations:

5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishing stores.
5800 Eating and drinking places.

Misc. retail stores:

5912 Drug stores and proprietary stores.
5921 Liquor stores.
5995 Other misc. retail stores.

FINANCE, INSURANCE, AND REAL ESTATE

Banking:

6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.

Credit agencies other than banks:

6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.

Security, commodity brokers, dealers, exchanges, and services:

6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.

Insurance:

6355 Life insurance.
6356 Mutual insurance except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and services.

Real estate:

6511 Real estate operators (except developers) and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.

Holding and other investment companies:

6742 Regulated investment companies.
6743 Real estate investment trusts.
6744 Small business investment companies.
6749 Holding and other investment companies, except bank holding companies.

SERVICES

7000 Hotels and other lodging places.
7200 Personal services.

Business services:

7310 Advertising.
7389 Business services except advertising.

Auto repair and services; misc. repair services:

7500 Auto repair and services.
7600 Misc. repair services.

Amusement and recreational services:

7812 Motion picture production, distribution, and services.
7830 Motion picture theaters.
7900 Amusement and recreation services, except motion pictures.

Other services:

8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists.
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospital.
8071 Medical laboratories.
8099 Other medical services.
8111 Legal services.
8200 Educational services.
8300 Social services.
8600 Membership organizations.
8911 Architectural and engineering services.
8930 Accounting, auditing and bookkeeping.
8980 Miscellaneous services (including veterinarians).

OTHER

9000 Unrelated debt-financed activities other than rental of real estate.
9100 Investment activities by section 501(c)(7),(9), (17), or (20) organizations.
9200 Rental of personal property.
9300 Passive income activities with controlled organizations.
9400 Exploited exempt activities.

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Supplemental Instructions and a Completed Sample of Forms 990 and 990-T

This part of the instructions provides a set of facts and a filled-in example to assist you in preparing a complete and accurate Form 990 for 1985.

To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part of Form 990 does not apply. If one or more applicable line items are not completed, we may consider the return incomplete and contact you for the missing information. The penalty of $10 a day for failure to file a return under IRC 6652(d) also applies if a return is submitted with required information missing.

The illustrated example of a completed Form 990 for 1985 was prepared using the following facts:

The Widget Manufacturers Association, Inc. was incorporated March 3, 1958, for the purposes of promoting efficiency in the manufacture and distribution of widgets. It was recognized as exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code in a letter dated January 6, 1961.

The association publishes "The Widget," a monthly journal distributed to members and to industrial users of widgets. The journal contains articles and commentary relating to items of interest in the industry. Advertisements of various products and services also appear.

The association is on a calendar year basis and uses the cash receipts and disbursements method of accounting.

Mr. Clement Harvey, Executive Director and Treasurer, has custody of the association's records at the office located at 12345 Factory Drive, Fort Worth, Texas 76118.

Assets of the association at the beginning of the year included cash in savings accounts of $30,000, cash in checking accounts of $31,000 and office equipment and fixtures which cost $6,500 with accumulated depreciation of $4,000. No additions or dispositions were made in the equipment and fixtures account during the year. Depreciation of $750 was computed for the year.

Receipts for the year consisted of:

Gross receipts from rental of space at the trade show and industry fair	$146,725
Sales of "The Widget"	10,000
Advertising in "The Widget"	37,675
Interest on savings accounts	1,500
Dues from members	108,750
Total	$304,650

Expenses for the year (broken down by function) consisted of the following:

Expense item	Total	Convention and trade show	Publication of trade magazine	Lobbying and other services for the industry	Management and general
Compensation of officers, directors, trustees	$25,000	$5,000	$5,000	$10,000	$5,000
Other salaries	45,000	13,000	—	10,000	22,000
Payroll taxes	7,000	1,800	500	2,000	2,700
Occupancy	7,200	1,760	—	2,000	3,440
Telephone	3,000	1,200	—	600	1,200
Supplies	500	100	—	100	300
Travel	4,800	1,800	—	3,000	—
Legal fees	2,000	—	—	—	2,000
Accounting fees	1,000	—	—	—	1,000
Printing	48,000	—	48,000	—	—
Postage for magazine	5,000	—	5,000	—	—
Other postage	1,700	—	—	—	1,700
Commissions on sale of advertising	2,000	—	2,000	—	—
Rental of coliseum for convention and trade show	10,300	10,300	—	—	—
Other direct expenses of convention and trade show	114,000	114,000	—	—	—
Depreciation	750	150	—	150	450
Total	$277,250	$149,110	$60,500	$27,850	$39,790

Note that while the organization allocated these expenses on its books of account, it is not required to allocate them on Part II of Form 990.

The magazine is printed and distributed by an independent contractor. The sale of advertising in the magazine is also handled by an outside firm. Mr. Harvey and the noncompensated officers of the association write most of the articles appearing in the magazine. Other articles are submitted by association members or reprinted from other publications.

All of the association's lobbying activity involved direct contacts with Federal and State legislators and legislative bodies. The organization does not attempt to influence the opinion of the general public on legislative matters.

Using the information outlined here, we are able to fill in Form 990. We suggest that you familiarize yourself with the facts and the sample return before preparing your return.

Form 990, Part I

Line 2.—We have entered the program service revenue from Part IV, line f.

Line 3.—We have entered the total membership dues and assessments, including the portion allocable to the receipt of the magazine by members.

Line 4.—We have entered the interest income for the year.

Line 12.—We have entered the total of lines 1d through 11.

Lines 13 and 14.—We have entered "N/A" as these lines are optional for section 501(c)(6) organizations.

Lines 17 and 18 are self-explanatory.

Line 19.—We have entered the net worth balance at the beginning of the year from line 74, column (A) of Part V.

Line 21.—We have entered the total of lines 18, 19 and 20. This computed net worth figure agrees with the end-of-year net worth balance from line 74, column (B) of Part V.

Form 990, Part II

In this example, all of the organization's expenses for the year are reported in Part II, column (A), using the breakdown of expenses given in the statement of facts. Columns (B), (C) and (D) were left blank as they are optional for section 501(c)(6) organizations.

Form 990, Part III

We listed the organization's three program services.

Section 501(c)(6) organizations need not enter the expenses of the services. **Note:** *The statistical and other information was not given in the statement of facts above.*

Form 990, Part IV

We have listed the registration fees and booth rentals at the convention and trade show, the nonmember subscription income, and the advertising revenue from the trade journal as the organization's sources of program service revenue. The advertising revenues are reportable in Part IV and on line 2 of Part I even though they are also reported on Form 990-T. While the membership dues are actually a type of program service revenue for a trade association, they should be reported separately on line 3 of Part I.

Form 990, Part V

We completed beginning and end-of-year balance sheets using the information given.

Form 990, Part VI

We listed the name, address, compensation and other information for the only officer named in the statement of facts. Similar information should be supplied for each of the officers and directors even though they receive no compensation from the organization.

Form 990, Part VII

Line 78.—We answered questions 78a and 78b "Yes" because the association derived more than $1,000 of unrelated business gross income from advertising and filed Form 990-T to report the income and compute its unrelated business income tax liability.

Line 83.—We answered this question "No" because one of the facts given was that the organization did not attempt to influence the opinion of the general public on legislative matters.

The remaining questions in Part VII (except for question 82) were properly answered "No" or did not apply.

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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt from Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy State reporting requirements. See instruction D.

OMB No. 1545-0047

1985

For the calendar year 1985, or fiscal year beginning , 1985, and ending , 19

Use IRS label. Otherwise, please print or type.

Name of organization: Widget Manufacturers Association, Inc.

Address (number and street): 12345 Factory Drive

City or town, state, and ZIP code: Fort Worth, TX 76118

A Employer identification number (see instruction L): 76 : 7654321

B State registration number (see instruction D):

C If address changed, check here . . . . ▶ ☐

D Check type of organization—Exempt under section ▶ ☒ 501(c) (6) (insert number), OR ▶ ☐ section 4947(a)(1) trust

Check here if application for exemption is pending . . ▶ ☐

E Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ▶

F Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10).

G Is this a group return (see instruction J) filed for affiliates? ☐ Yes ☒ No

Is this a separate return filed by a group affiliate? ☐ Yes ☒ No

If "Yes" to either, give four-digit group exemption number (GEN) ▶

☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some States may require a completed return.

☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

		(A) Total	These columns are optional—see instructions (B) Unrestricted/Expendable	(C) Restricted/Nonexpendable
Support and Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support			
	b Indirect public support			
	c Government grants			
	d Total (add lines 1a through 1c) (attach schedule—see instructions)			
	2 Program service revenue (from Part IV, line f)	194,400		
	3 Membership dues and assessments	108,750		
	4 Interest on savings and temporary cash investments	1,500		
	5 Dividends and interest from securities			
	6a Gross rents			
	b Minus: rental expenses			
	c Net rental income (loss)			
	7 Other investment income (Describe ▶)			
	8a Gross amount from sale of assets other than inventory (Securities / Other)			
	b Minus: cost or other basis and sales expenses			
	c Gain (loss) (attach schedule)			
	9 Special fundraising events and activities (**attach schedule**—see instructions):			
	a Gross revenue (not including $ of contributions reported on line 1a)			
	b Minus: direct expenses			
	c Net income (line 9a minus line 9b)			
	10a Gross sales minus returns and allowances			
	b Minus: cost of goods sold (attach schedule)			
	c Gross profit (loss)			
	11 Other revenue (from Part IV, line g)			
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)	304,650		
Expenses	13 Program services (from line 44, column (B)) (see instructions)	N/A		
	14 Management and general (from line 44, column (C)) (see instructions)	N/A		
	15 Fundraising (from line 44, column (D)) (see instructions)	N/A		
	16 Payments to affiliates (attach schedule—see instructions)			
	17 Total expenses (add lines 16 and 44, column (A))	277,250		
Fund Balances	18 Excess (deficit) for the year (subtract line 17 from line 12)	27,400		
	19 Fund balances or net worth at beginning of year (from line 74, column (A))	63,500		
	20 Other changes in fund balances or net worth (attach explanation)			
	21 Fund balances or net worth at end of year (add lines 18, 19, and 20)	90,900		

SAMPLE

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Expenses				
22 Grants and allocations (attach schedule)				
23 Specific assistance to individuals				
24 Benefits paid to or for members				
25 Compensation of officers, directors, etc.	25,000			
26 Other salaries and wages	45,000			
27 Pension plan contributions				
28 Other employee benefits				
29 Payroll taxes	7,000			
30 Professional fundraising fees				
31 Accounting fees	1,000			
32 Legal fees	2,000			
33 Supplies	500			
34 Telephone	3,000			
35 Postage and shipping	6,700			
36 Occupancy	7,200			
37 Equipment rental and maintenance				
38 Printing and publications	48,000			
39 Travel	4,800			
40 Conferences, conventions and meetings	124,300			
41 Interest				
42 Depreciation, depletion, etc. (attach schedule)	750			
43 Other expenses (itemize): a				
b Advertising Commissions	2,000			
c				
d				
e				
f				
44 Total functional expenses (add lines 22 through 43)	277,250			

SAMPLE

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s) and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

Expenses (Optional for some organizations—see instructions)

a Publication of trade magazine-During 1985, 25,000 copies of the Association's monthly trade journal were distributed to members and 10,000 were distributed to nonmembers.

(Grants and allocations $ -0-)

b Convention and trade show-800 members attended the Association's 3-day convention held annually to elect officers, report on prior year activities, and discuss current plans, proposed legislation and other topics of interest to members. 6,000 persons attended an industry trade show the Association conducted in connection with the convention. (Grants and allocations $ -0-)

c Lobbying and other services to the industry-The Association's main lobbying effort in 1985 was in support of proposed legislation that would have added export incentives for widget manufacturers and other industrial firms. Other services included the compilation and publication of statistics on business conditions within the industry. (Grants and allocations $ -0-)

d (Grants and allocations $)

e Other program service activities (attach schedule) (Grants and allocations $)

f Total (add lines a through e) (should equal line 44, column (B))

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Part IV Program Service Revenue and Other Revenue (State Nature)

		Program service revenue	Other revenue
a	Fees from government agencies	-0-	
b	Convention and trade show registration-Fees and booth rentals	146,725	
c	Subscription income-monthly journal	10,000	
d	Advertising income-monthly journal	37,675	
e			
f	Total program service revenue (enter here and on line 2)	194,400	
g	Total other revenue (enter here and on line 11)		-0-

Part V Balance Sheets

If line 12 or line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and line 59 are $25,000 or less, you may complete only lines 59, 66, 74 and 75. See instructions.

Note: **Columns (C) and (D) are optional.** *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*

		(A) Beginning of year	End of year (B) Total	End of year (C) Unrestricted/ Expendable	End of year (D) Restricted/ Nonexpendable
	Assets				
45	Cash—non-interest bearing	31,000	42,650		
46	Savings and temporary cash investments	30,000	46,500		
47	Accounts receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
48	Pledges receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
49	Grants receivable				
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51	Other notes and loans receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
52	Inventories for sale or use				
53	Prepaid expenses and deferred charges				
54	Investments—securities (attach schedule)				
55	Investments—land, buildings and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
56	Investments—other (attach schedule)				
57	Land, buildings and equipment: basis ▶ 6,500 minus accumulated depreciation ▶ 4,750 (attach schedule)	2,500	1,750		
58	Other assets ▶ _____				
59	Total assets (add lines 45 through 58)	63,500	90,900		
	Liabilities				
60	Accounts payable and accrued expenses				
61	Grants payable				
62	Support and revenue designated for future periods (attach schedule)				
63	Loans from officers, directors, trustees and key employees (attach schedule)				
64	Mortgages and other notes payable (attach schedule)				
65	Other liabilities ▶ _____				
66	Total liabilities (add lines 60 through 65)	-0-	-0-		
	Fund Balances or Net Worth				
	Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67	a Current unrestricted fund				
	b Current restricted fund				
68	Land, buildings and equipment fund				
69	Endowment fund				
70	Other funds (Describe ▶ _____)				
	Organizations that do not use fund accounting, check here ▶ ☒ and complete lines 71 through 75.				
71	Capital stock or trust principal				
72	Paid-in or capital surplus				
73	Retained earnings or accumulated income	63,500	90,900		
74	Total fund balances or net worth (see instructions)	63,500	90,900		
75	Total liabilities and fund balances/net worth (see instructions)	63,500	90,900		

SAMPLE

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Part VI **List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions)**

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances
Clement Harvey, 12345 Factory Drive Fort Worth, TX 76118	Treasurer/Executive Director, 40 hrs/wk	25,000	-0-	-0-
Names of the other officers and directors of the organization were not given in the example. However, they should be listed here even though they did not receive any compensation.				

Part VII **Other Information**

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		X
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		X
78 a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	X	
b	If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?	X	
c	If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year (see instructions)? If "Yes," attach a statement as described in the instructions.		X
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization (see instructions)? If "Yes," enter the name of the organization ▶ _____ and check whether it is ☐ exempt **OR** ☐ nonexempt.		X
81 a	Enter amount of political expenditures, direct or indirect, as described in the instructions . . -0-		
b	Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		X
82	Did your organization receive donated services or the use of materials, equipment or facilities at no charge or at substantially less than fair rental value?	X	
	If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III . . . . . ▶ N/A		
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums (see instructions and Regulations section 1.162-20(c))?		X
	If "Yes," enter the total amount spent for this purpose . . . . . N/A		
84	*Section 501(c)(7) organizations.*—Enter amount of:		
a	Initiation fees and capital contributions included on line 12 . . . . . N/A		
b	Gross receipts, included in line 12, for public use of club facilities (see instructions) . . . N/A		
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion (see instructions)?	N/A	
85	*Section 501(c)(12) organizations.*—Enter amount of:		
a	Gross income received from members or shareholders . . . . . N/A		
b	Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them) . . . . . N/A		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the States with which a copy of this return is filed ▶ None		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		X
89	The books are in care of ▶ Clement Harvey Telephone No. ▶ (555)749-2978 Located at ▶ 12345 Factory Drive, Fort Worth, TX 76118		

SAMPLE

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Clement Harvey — Signature of officer | 3-14-86 — Date | Treasurer — Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed) and address ▶ | ZIP code

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Widget Manufacturers Association, Inc.
EIN 76-7654321

Form 990 (1985)

Part II, Line 42- Depreciation AND Part V, Line 57- Land, Buildings, Equipment

SAMPLE

Asset	Date acquired	Cost	Prior years' depreciation	Method	Rate	Current year's depreciation
Furniture and fixtures	Various	$4,000	$2,800	S.L.	10%	$400
Office equipment	Various	2,500	1,200	S.L.	Various	350
Total		$6,500	$4,000			$750

Part VII, Line 78c-Receipts from business activities not reported on Form 990-T

The annual trade show contributes importantly to our exempt purposes in that it provides an opportunity for members of the widget manufacturing industry to display the latest models and explain the latest technical advances to engineers and other personnel of companies that are potential users of this product. The convention allows for an exchange of information regarding the industry, an accounting of the association's activities since the previous convention, election of officers and program planning for the upcoming year. Subscription income is from the distribution of our monthly journal to nonmembers. Subscribers thereby have access to the same industry information we provide our members through the journal.

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Form 990-T

Unrelated Business Taxable Income

This part of the instructions demonstrates the proper completion of a 1985 Form 990-T, Exempt Organization Business Income Tax Return, for a business league that has income from the sale of advertising in a publication. For purposes of this example, we are using the same facts as in the preceding example involving the completion of Form 990, with the additional facts given below.

Of the total salaries paid by the organization, $5,000 is directly attributable to writing articles. The lineage in the publication devoted to advertising is 30% of total lineage. Total annual circulation of "The Widget" is 35,000 copies, of which 10,000 were sold to the public at a price of $1.00 per issue.

Organizations deriving advertising income from a publication otherwise furthering exempt purposes are subject to tax only on gain derived from the advertising portion of the publication.

The amount of unrelated business taxable income from the sale of advertising is determined by first subtracting direct advertising costs from gross advertising income. If this results in a gain, a deduction is allowed in the amount, if any, by which the readership costs exceed circulation income. Before these calculations can be made, the organization must first compute (1) gross advertising income, (2) direct advertising costs, (3) circulation income, and (4) readership costs. Gross advertising income and direct advertising costs relate to the taxable (unrelated business) portion of the publication; circulation income and readership costs relate to the exempt purpose portion of the publication.

In computing circulation income it is necessary to reflect the fact that the right of a member to receive a periodical is usually associated with membership. Thus, a portion of the membership dues or fees must be allocated to circulation income. (The methods of allocation are explained later.)

Direct advertising costs and readership costs will include those costs directly attributable to selling advertising space, designing the ads and writing or purchasing the articles to be printed. In addition, there will be included mechanical (printing and paper) and distribution (postage, wrapping and shipping) costs and these must be allocated between the advertising and readership portions of the publication. Unless a more accurate method is available, these costs should be allocated between advertising costs and readership costs on the basis of lineage in the publication. Thus, mechanical and distribution costs are allocated to advertising costs on the basis that the ratio of advertising lineage bears to total lineage.

Form 990-T, Schedule I

Because advertising is the only activity generating gross income from an unrelated trade or business in this example, completion of Form 990-T begins with Schedule I. Part II of Schedule I is used because only one publication is involved. (Part I is used to report two or more publications on a consolidated basis.)

The gross advertising income listed in column 2 was obtained directly from the stated facts. In order to obtain direct advertising costs, column 3 of Part II, the percentage of total lineage of the publication that is advertising lineage (30%) is multiplied by the cost ($53,000) of publication and mailing of "The Widget." This figure ($15,900) was then added to the ($2,000) figure for commissions on sale of advertising to yield the $17,900 figure entered in column 3. Column 4 is the advertising gain, column 2 minus column 3.

Circulation income ($35,000) in column 5 of Part II was computed by adding the $10,000 amount from sales of "The Widget" to the public to the amount ($25,000) of membership dues allocable to "The Widget." Membership dues are allocated pursuant to section 1.512(a)-1(f)(4) of the Income Tax Regulations. Because more than 20% of total circulation of "The Widget" was sold to the public, the $25,000 figure for membership dues allocated to circulation income was computed by multiplying the number of issues (25,000) received by the organization's membership as part of their status as members times the price ($1.00) charged the public. Here, the price charged the public was used to allocate membership dues. However, this is not proper in every instance. If sales to the public are less than 20% of total circulation, one of two other ways must be used. If there is any reduction in membership dues for electing not to receive the periodical, and more than 20% of the membership makes that election, the amount of such reduction shall determine the price of the periodical for purposes of allocating membership dues. In all other cases, the amount of membership dues allocated to circulation income is determined by multiplying such dues by a fraction, the numerator of which is periodical costs and the denominator of which is periodical costs plus other exempt activity costs.

Readership costs in column 6 were computed by adding the salary time allocable to writing articles for "The Widget" ($5,000) and the allocable payroll taxes ($500) to the other readership costs ($37,100). The $37,100 figure is 70% (percentage of "The Widget" lineage not devoted to advertising) of the costs ($53,000) of publishing and mailing the magazine.

Since readership costs exceed circulation income, the excess was subtracted from the gain from advertising (column 4) and entered in column 7. The same amount was entered in Part III, column A.

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Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1985 or other tax year beginning ..... 1985, and ending ..... 19 .....

OMB No. 1545-0687

1985

Name of organization: Widget Manufacturers Association, Inc.

Address (number and street): 12345 Factory Drive

City or town, state, and ZIP code: Fort Worth, TX 76118

A Employer identification number (employees' trust see instruction for Block A): 76 : 7654321

B Enter unrelated business activity codes from page 10 of instructions: 7310

C Check box if address changed ▶ ☐ **D** Exempt under section ▶ 501 (c) (6)

E Check type of organization ▶ ☒ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶

If the unrelated trade or business gross income is $10,000 or less, complete only page 1, Part III on page 2, and sign the return. Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,000.

Taxable Income

1	Unrelated trade or business gross income (state sources ▶)	1	
2	Deductions (including net operating loss) (complete Parts I and II instead of lines 1, 2, 3, and 4 if you have gross income over $10,000)	2	
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3	
4	Specific deduction (see instructions)	4	
5	Unrelated business taxable income (subtract line 4 from line 3 or enter amount from line 33, page 2. If line 4 is greater than line 3, enter the lesser of zero or line 3.)	5	11,175

Tax Computation

Organizations Taxable as Corporations (See Instructions for Tax Computation)

6 **a** Check if you are a member of a controlled group (see sections 1561 and 1563) ☐

b If checked, see instructions and enter your share of the $25,000 in each taxable income bracket: (i) $ ..... (ii) $ ..... (iii) $ ..... (iv) $ .....

7 Income tax on amount on line 5. Check here ▶ ☐ if alternative tax from Schedule D (Form 1120) is used — 7: 1,676

Trusts Taxable at Trust Rates (See Instructions for Tax Computation)

8 Enter the tax from the tax rate schedule in the instructions on the amount on line 5 — 8: N/A

Total Income Tax

9	**a** Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9a		
	b Other credits (see instructions)	9b		
	c General business credit — Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 6478	9c		
10	Total (add lines 9a through 9c)		10	-0-
11	Subtract line 10 from line 7 or line 8		11	1,676
12	Tax from recomputing prior year investment credit (attach Form 4255)		12	-0-
13	Minimum tax on tax preference items (Corporations only – see instructions)		13	-0-
14	Alternative minimum tax (Trusts only–see instructions)		14	-0-
15	Total tax (add lines 11 through 14)		15	1,676
16	Credits and payments:			
	a Tax deposited with Form 7004 or Form 2758	16a		
	b Foreign organizations—Tax paid or withheld at the source (see instructions)	16b		
	c Credit from regulated investment companies (attach Form 2439)	16c		
	d Credit for Federal tax on gasoline and special fuels (attach Form 4136)	16d		
	e Other credits and payments (see instructions)	16e		
	f Total credits and payments (add lines 16a through 16e)		16f	-0-
17	**TAX DUE** (subtract line 16f from line 15). See instructions for depositary method of payment ▶		17	1,676
18	**OVERPAYMENT** (subtract line 15 from line 16f) ▶		18	

SAMPLE

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Clement Harvey — Signature of officer | 3-14-86 — Date | Treasurer — Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of instructions. Form **990-T** (1985)

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Part I Unrelated Trade or Business Income

1 a Gross receipts or sales ____, b Less returns and allowances ____ Balance ▶	1c	-0-	
2 Cost of goods sold and/or operations (Schedule A)	2	-0-	
3 Gross profit (subtract line 2 from line 1c)	3	-0-	
4 a Capital gain net income (attach separate Schedule D) (see instructions)	4a	-0-	
b Net gain or (loss) from Part II, Form 4797 (attached)	4b	-0-	
c Capital loss deduction for trusts	4c	-0-	
5 Income or (loss) from partnerships (attach statement)	5	-0-	
6 Rent income (Schedule C)	6	-0-	
7 Unrelated debt-financed income (Schedule E, line 2)	7	-0-	
8 Investment income of a section 501(c)(7), (9), (17) or (20) organization (Schedule F)	8	-0-	
9 Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9	-0-	
10 Exploited exempt activity income (Schedule H)	10	-0-	
11 Advertising income (Schedule I, Part III, Column A)	11	12,175	
12 Other income (see instructions for line 12—attach schedule)	12	-0-	
13 TOTAL—Unrelated trade or business income (add lines 3 through 12)	13	12,175	

Part II Deductions Not Taken Elsewhere
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule J)	14	-0-	
15 Salaries and wages	15	-0-	
16 Repairs (see instructions)	16	-0-	
17 Bad debts (see instructions)	17	-0-	
18 Interest (attach schedule)	18	-0-	
19 Taxes	19	-0-	
20 Contributions (see instructions)	20	-0-	
21 Depreciation (attach Form 4562) 21			
22 Less depreciation claimed in Schedule A and elsewhere on return 22a	22b	-0-	
23 Depletion	23	-0-	
24 a Contributions to deferred compensation plans (see instructions)	24a	-0-	
b Employee benefit programs (see instructions)	24b	-0-	
25 Other deductions (attach schedule)	25	-0-	
26 TOTAL DEDUCTIONS (add lines 14 through 25)	26	-0-	
27 Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13)	27	12,175	
28 Advertising loss (Schedule I, Part III, Column B)	28	-0-	
29 Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27)	29	12,175	
30 Net operating loss deduction (see instructions)	30	-0-	
31 Unrelated business taxable income before specific deduction (subtract line 30 from line 29)	31	12,175	
32 Specific deduction (see instructions for line 4 of page 1)	32	1,000	
33 Unrelated business taxable income (subtract line 32 from line 31. If line 32 is greater than line 31, enter the lesser of zero or line 31.) Enter here and on page 1, line 5	33	11,175	

SAMPLE

SCHEDULE A—COST OF GOODS SOLD AND/OR OPERATIONS
(See Instructions for Part I, line 2)

Method of inventory valuation (specify) ▶ .

1 Inventory at beginning of year	1		
2 Purchases	2		
3 Cost of labor	3		
4 Other costs (attach schedule)	4		
5 TOTAL—Add lines 1 through 4	5		
6 Inventory at end of year	6		
7 Cost of goods sold and/or operations. Subtract line 6 from line 5. (Enter here and on line 2, Part I.)	7	N/A	

Part III Statements Regarding Certain Activities and Other Information

	Yes	No
1 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) (see page 9 of the instructions for exceptions and filing requirements for TD F 90-22.1)?		x
If "Yes," write in the name of the foreign country ▶		
2 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you had any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		x

The books are in care of ▶ Clement Harvey Telephone number ▶ (555)749-2978

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SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY

(See Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 x column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2 . . . . . N/A

SCHEDULE E—UNRELATED DEBT-FINANCED INCOME (See Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

SAMPLE

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col 4 is of col. 5	7. Gross income reportable (Column 2 x column 6)	8. Allocable deductions (Column 6 x total of columns 3(a) and 3(b))	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, Part I, page 2) . . . . . N/A

3 Total dividends-received deductions included in column 8 . . . . . N/A

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7), (9), (17) OR (20) ORGANIZATION

(See Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)

Total (enter here and on line 8, Part I, page 2) . . . . . N/A

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS

(See Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 x column 4(c) or column 5(c))	7. Allowable deductions (Column 3 x column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			

Total (enter here and on line 9, Part I, page 2) . . . . . N/A

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SCHEDULE H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME

(See Instructions for Part I, line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5, but not more than column 4)	8. Net income includible (Column 4 minus column 7)

Total (enter here and on line 10, Part I, page 2) . . . . . N/A

SCHEDULE I—ADVERTISING INCOME AND ADVERTISING LOSS (See Instructions for Part I, line 11)

Part I Income from periodicals reported on consolidated basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3) If loss, enter in col. B, Part III. Do not complete cols. 5, 6 and 7. If gain, complete cols. 5, 6 and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Totals						

Part II Income from periodicals reported on a separate basis

The Widget	37,675	17,900	19,775	35,000	42,600	12,175

SAMPLE

Part III Column A—Advertising Income

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4 or 7, Part I, and amounts listed in cols. 4 and 7, Part II
The Widget	12,175
Enter total here and on line 11, Part I, page 2	12,175

Part III Column B—Advertising Loss

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4, Part I, and amounts listed in column 4, Part II
Enter total here and on line 28, Part II, page 2	-0-

SCHEDULE J—COMPENSATION OF OFFICERS, DIRECTORS, AND TRUSTEES

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
		%	
		%	
Total (enter here and on line 14, Part II, page 2)			N/A

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